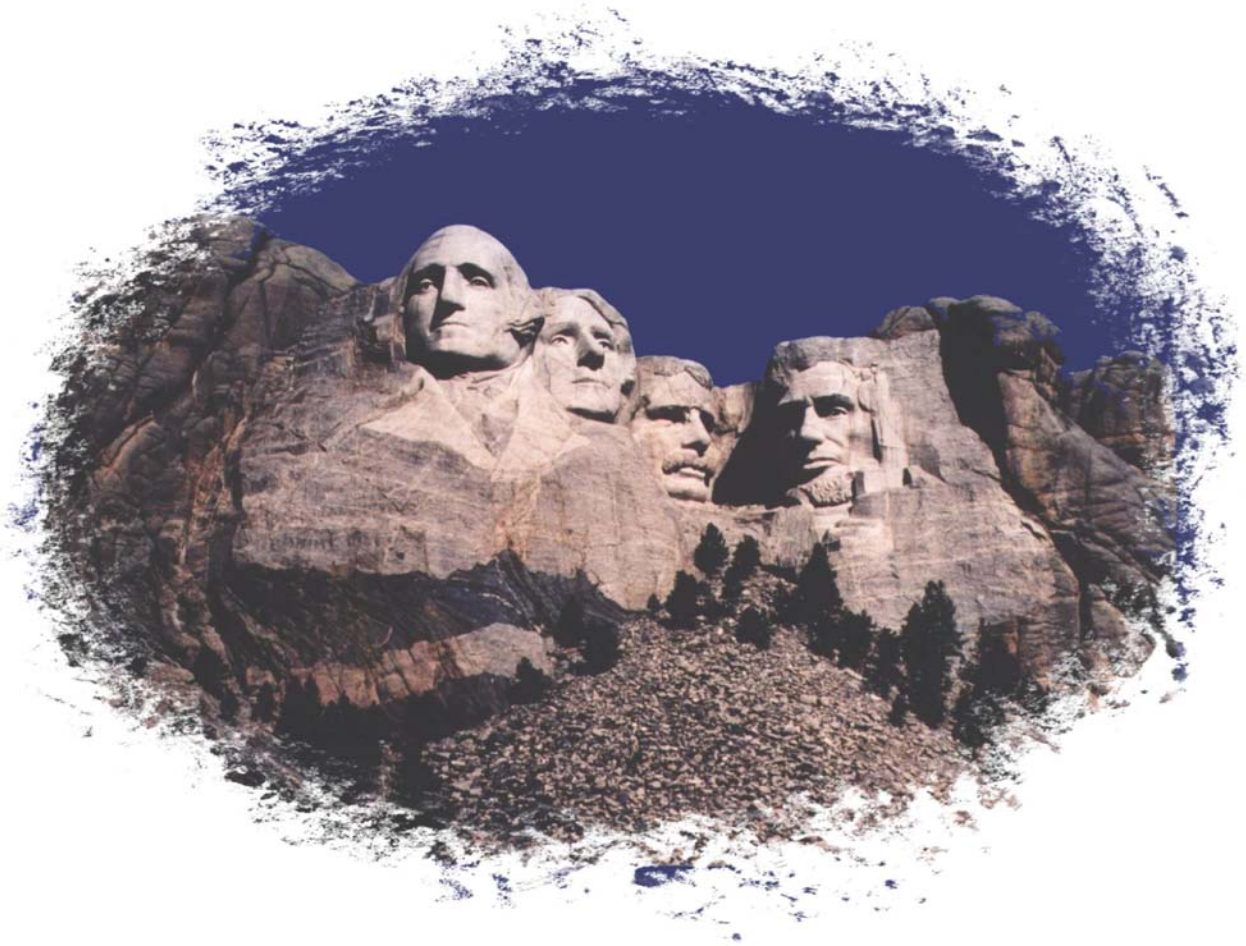
South Dakota

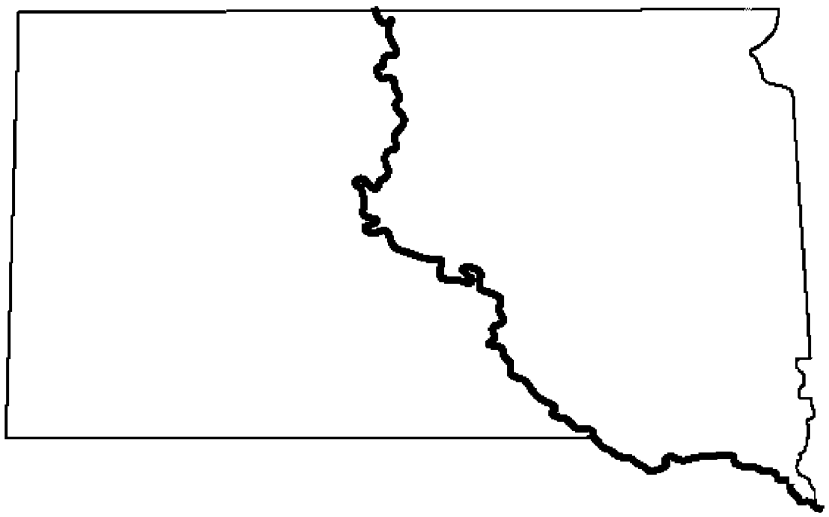
COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2004



PREPARED BY BUREAU OF FINANCE AND MANAGEMENT
JASON C. DILGES, COMMISSIONER

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2004



M. MICHAEL ROUNDS, GOVERNOR

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STATE OF SOUTH DAKOTA

M. MICHAEL ROUNDS, GOVERNOR

TO THE HONORABLE MEMBERS OF THE LEGISLATURE AND CITIZENS OF SOUTH DAKOTA

It is my pleasure to present the *Comprehensive Annual Financial Report* covering operations for the fiscal year that ended June 30, 2004. This is our eighteenth *Comprehensive Annual Financial Report*. The report is prepared in accordance with generally accepted accounting principles and includes all agencies of state government and reporting entities for which the state has oversight responsibilities. Like previous reports, this report presents to you and the financial community the sound financial condition of South Dakota.

The outlook for the South Dakota economy is optimistic because the state's economy is expected to continue to strengthen. Recent economic data supports this forecast since employment continues to grow, wages continue to rise, consumers continue to spend, and the housing market continues to remain strong. The unemployment rate in South Dakota continued to remain one of the lowest in the nation in FY 2004. South Dakota's unemployment rate was 3.5 percent in June 2004, while the U.S. unemployment rate was 5.6 percent the same month.

In South Dakota, we are dedicated to taking care of those who cannot take care of themselves, both the very young and the very old. We are committed to providing our children with a quality education because they are our future. Finally, it is our responsibility to protect our society from those who would do us harm. Additionally, the state has placed a focus on economic growth and visitor spending in the state with the launch of the 2010 Initiative. South Dakota continues to live within its means and provide these services to the citizens as we have since statehood in 1889.

Sincerely,

[redacted]

M. Michael Rounds

SouthDakota
GREAT FACES. GREAT PLACES.

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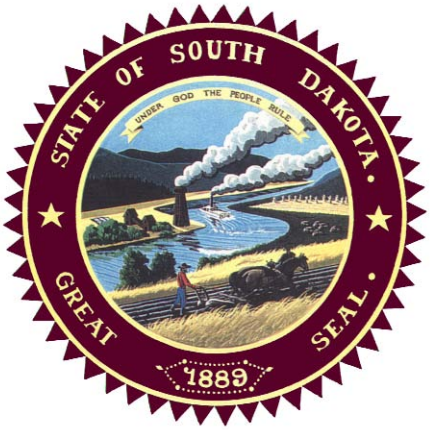

INTRODUCTORY SECTION

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BUREAU OF FINANCE AND MANAGEMENT

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TO THE HONORABLE M. MICHAEL ROUNDS, GOVERNOR OF SOUTH DAKOTA

MEMBERS OF THE SOUTH DAKOTA LEGISLATURE

It is my privilege to present the Comprehensive Annual Financial Report (CAFR) on the operation of the State of South Dakota (herein after referred to as the State) for the fiscal year ended June 30, 2004.

Report. This report is prepared by the Bureau of Finance and Management and submitted as required by South Dakota Codified Law as revised in SDCL 4-4-6. The financial statements contained in the CAFR are prepared in conformity with generally accepted accounting principles (GAAP) applicable to government as prescribed by the Governmental Accounting Standards Board (GASB). Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the State's management. We believe the information, as presented, is accurate in all material respects and that all disclosures necessary to enable the reader to gain an adequate understanding of the State's financial affairs have been included.

The CAFR is presented in three sections: *Introductory, Financial,* and *Statistical*. The *Introductory Section,* which provides information on the general contents of the report, contains this letter of transmittal, a list of principal State officials, fiscal year 2004 functions of State government, and an organizational chart of State government. The *Financial Section* includes the Independent Auditor's Report on the Basic Financial Statements; Management's Discussion and Analysis (MD&A) that provides an introduction, overview, and analysis to the "Basic Financial Statements"; the Basic Financial Statements that present the government-wide financial statements, fund financial statements (for governmental funds, proprietary funds, and fiduciary funds), and combining component units financial statements, together with notes to the Basic Financial Statements; Required Supplementary Information that includes budgetary comparison schedules; and, Other Supplemental Information that includes combining financial statements and schedules for individual funds. The *Statistical Section* presents unaudited, economic, financial trend and demographic information for the State on a multi-year basis.

Internal Controls. Management of the State is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The Bureau of Finance and Management is able to monitor revenues and expenditures on a weekly basis to detect excess expenditures, or shortfalls in revenues. As required by State statute, the State Auditor, an elected official, shall be presented all accounts and claims against the State to examine and adjust the same. Also, as required by State statute, the, State Treasurer, an elected official, shall have charge of, and safely keep, all public moneys which shall be paid into the State treasury, and pay out the same as directed by law. The Department of Revenue and Regulation periodically audits retail establishments to assure their payment of sales and excise taxes. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are

met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefit likely to be derived, and 2) the valuation of costs and benefits requires estimates and judgements by management.

Independent Auditors. The South Dakota Department of Legislative Audit, a division of the legislative branch of State government, performs the audit of *South Dakota's Comprehensive Annual Financial Report*. The audit is conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards (GAS) issued by the Comptroller General of the United States. The Independent Auditor's Report (issued by the Department of Legislative Audit) includes an expression of opinion on the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of South Dakota as of June 30, 2004 and the respective changes in financial position and cash flows, where applicable, for the fiscal year then ended.

In conjunction with the audit of the State's financial statements, the Department of Legislative Audit also performs audits of major federal and state programs and issues an opinion on the State's compliance with the requirements of major federal programs. The results of the audit of federal and state programs are presented in the *South Dakota Single Audit Report*.

Internal control procedures are evaluated on an annual basis by the Department of Legislative Audit to provide reasonable assurance for the safeguarding of the State's assets and to provide reasonable assurance of proper recording of financial transactions used to prepare this report.

Management's Discussion and Analysis (MD&A). GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of MD&A. The letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The State's MD&A can be found immediately following the Independent Auditor's Report.

PROFILE OF THE GOVERNMENT

Structure. The State entered the Union on November 2, 1889 as the 39th or 40th state (with its twin, North Dakota). South Dakota has 75,885 square miles of land and a population estimated to be 0.8 million. The State has a strong governor-bicameral legislative form of government. The Governor may be elected for two consecutive four-year terms. The Governor appoints all heads of state departments who serve at the pleasure of the Governor. The State Legislature is composed of a 35-member Senate and a 70-member House of Representatives. Legislators are elected for two-year terms.

Services. State government provides services to citizens that include support for public education, public assistance and Medicaid, health and human services, public safety, building and maintaining state highways, agricultural and environmental services, community and economic development, and other general government services.

Budget Process. State law requires annual preparation and approval of the State's budget. The Governor presents the annual budget to the State Legislature by the first Tuesday after the first Monday in December. The State Legislature is required to approve a budget by the end of the legislative session. There is no provision for a continuing resolution. The State Constitution requires that the State budget be balanced. Accumulated general fund balances may be drawn down to balance an annual budget, as long as the general fund balance remains positive. The Governor has the power to veto individual line items in the budget approved by the State Legislature. The State budget must remain in balance through the end of the fiscal year. Accordingly, state departments cannot encumber more funds than they have been

authorized to spend. During the year, the Governor may authorize intradepartmental transfers of funds, as long as total appropriation levels are not exceeded. Interdepartmental transfers may be made only with the consent of the Interim Appropriations Committee.

The State's largest sources of revenues are sales and service taxes, business taxes and lottery proceeds. The largest categories of expenditures are general bill expenditures for state aid to primary and secondary education; property tax relief payments made by the State to local government units through state aid to education; operation, maintenance and improvement of facilities for state government; foster child care, mental health care, corrections and higher education; and state salaries. The State is required to operate with a positive general fund balance. It may not incur general obligation debt on either a short or long-term basis to balance its budget.

State Reporting Entity. The State's reporting entity reflected in the CAFR, which is described more fully in Note 1 of the Notes to the Financial Statements, conforms to the requirements of GASB Statement No. 14, *The Financial Reporting Entity*. The accounting and reporting principles contained in Statement No. 14 are based primarily on the fundamental concept that publicly elected officials are accountable to their constituents. Further, Statement No. 14 provides that the financial statements should emphasize the primary government and permit financial statement users to distinguish between the primary government and its component units. Under GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units", individually significant legally separate tax-exempt organizations are included as component units if their resources are for the direct benefit of the State and the State can access those resources. Consequently, the transmittal letter, MD&A, and the basic financial statements focus on the primary government and its activities. Although information pertaining to the discretely presented component units is provided, their separately issued financial statements, excluding Higher Education, should be read to obtain a complete overview of their financial position.

Risk Management. The Risk Management Program was created to protect the assets and resources of the State through efficient control and financing of risks inherent in government operations by ensuring a safe environment for State employees and the general public. Responsibilities include ensuring that exposures to financial loss are discovered and handled appropriately, minimizing the possible interruption of vital public services, and reducing the costs and consequences of accidents through effective loss control management.

Housed with the Risk Management Program is the Public Entity Pool for Liability (PEPL), a self-insurance program created to cover risks associated with automobile liability, and general tort liability (including public officials, errors, and omissions liability; medical malpractice liability; law enforcement liability; and, products liability).

Further information on the State's risk management activities can be found in Note 10 of the Notes to the Financial Statements.

Cash Management. The South Dakota Investment Council manages the State's pooled fund cash on a daily basis. The South Dakota Investment Council was established by the State Legislature in 1971 and became operational on July 1, 1972. The council consists of eight voting members: five of the members are chosen by the Executive Board of the Legislative Research Council--a bipartisan board of members of both houses of the Legislature--and the other three members consist of the State Treasurer, the Commissioner of School and Public Lands, and a designee of the South Dakota Retirement Board of Trustees.

The Investment Council is responsible for the investment management for the portfolios of the South Dakota Cash Flow, the South Dakota Retirement System, Cement Plant Retirement Fund, School and Public Lands Fund, Dakota Cement Trust Fund, Education Enhancement Trust Fund, and Health Care Trust Fund.

Investment Council management of the South Dakota Cash Flow portfolio resulted in earnings this year of $22.9 million, a yield of 2.95%. This fund serves as the State's checking account and has earned taxpayers $755.5 million over the past 32 years. Total investment income for all funds invested by the Investment Council was $854.7 million for fiscal year 2004. Income for the most recent five years totaled $1.5 billion and, since inception, has exceeded $6.6 billion.

Performance for the past 31 years (since inception of management responsibilities for SDRS) has placed the council in the top first percentile against state funds for total retirement assets. For the past 31 years, domestic equities have returned 12.9%, outperforming the stock index by 1.2% annualized. For the past 31 years, fixed income has returned 9.4%, outperforming the bond index by 0.6%. The Investment Council has grown from $133.0 million in assets at the end of its first year to $7.2 billion at June 30, 2004.

Cash management and investments are discussed more fully in Note 3 of the Notes to the Financial Statements.

Lottery. The South Dakota Lottery Fund was created during the 1987 legislative session to market instant scratch games. Video lottery was authorized during the 1989 legislative session and operations commenced in October 1989. Legislative approval to participate in a multi-state lotto game was given during the 1990 legislative session. That same year, the State joined the Multi-State Lottery Association (MUSL), a consortium of 29 lottery jurisdictions that currently offer the Powerball game. The purpose of the lottery is to provide additional monies to fund vital public programs and projects, and as of June 30, 2004, $1.2 billion has been generated to fund many public programs and projects. Lottery provided $116.2 million income (before operating transfers) during fiscal year 2004.

Retirement System. The South Dakota Retirement System is the largest of the defined benefit plans for which the State is responsible for providing funding.

The South Dakota Retirement System provides retirement benefits for State employees and those employees of local governments that participate in the system. Employers and employees contribute equal amounts in the form of a percentage of employee compensation.

The unfunded actuarial accrued liability as a percent of covered payroll went from 5.2% in 1987 to 9.8% in 2004. The funding ratio increased from 97.5% in 1987 to 97.7% in 2004 after the improvement of benefits. The funding ratio is the ratio of the actuarial value of the assets of the system to the actuarial accrued liabilities of the system as of the date of calculation.

Plan assets at fair value in 2004 were $5.5 billion compared to plan assets in 1987 of $903.5 million.

The assets of the system are valued at their fair value. The system is in full compliance with the standards of the Governmental Accounting Standards Board and has received the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the last nine years. The system is subject to an annual actuarial valuation and annual audit performed by an independent audit firm.

Additional information on the State's retirement plans can be found in Note 7 of the Notes to the Financial Statements.

Health and Life Insurance Benefits. The State (rather than an insurance carrier) assumes substantially all risk associated with claims of covered public employees for health insurance and life insurance benefits. However, an insurance carrier provides claims administration services for health insurance. The Group Insurance Program within the Bureau of Personnel was established to administer and improve group health, life and the flexible benefit plans for state employees and their dependents. The program provides for payment of benefits to eligible claimants in the most efficient and cost effective manner. Premiums are charged to state funds for all covered employees.

Additional information on the State's health and life insurance benefits can be found in Note 10 of the Notes to the Financial Statements.

ECONOMIC CONDITIONS AND OUTLOOK

A prime indicator of a state's economic health is the growth rate of nonfarm employment. The South Dakota economy experienced a slowdown in nonfarm employment before and after the 2001 recession. However, South Dakota did not experience the severity of job losses that occurred nationally during the recession, or what occurred during the jobless recovery. In 2001, U.S. nonfarm employment growth was flat (0.0%), and in 2002 and 2003 nonfarm employment fell 1.1% and 0.3%, respectively. In South Dakota, nonfarm employment grew 0.2% in 2001, fell 0.3% in 2002, and grew 0.2% in 2003.

In fiscal year 2004, nonfarm employment in South Dakota grew 0.6%. The South Dakota job market again performed better than the U.S., as nonfarm employment only grew 0.3% in the U.S in fiscal year 2004. Sectors that experienced strong growth in fiscal year 2004 in South Dakota were construction (3.4%); educational and health services (2.4%); and, leisure and hospitality (1.6%).

The unemployment rate in South Dakota continues to remain one of the lowest in the nation. In the beginning of fiscal year 2004, the State's unemployment rate was 3.5%, which was the same as what it was at the end of the fiscal year. The U.S. unemployment rate was 6.2% in July 2003 and 5.6% in June 2004.

For the last two years, income growth in South Dakota has been one of the best in the nation. In 2003, South Dakota was second in the U.S. for both per capita personal income growth and personal income growth. In 2004, South Dakota ranked third in the nation for per capita personal income growth and fourth in personal income growth.

The outlook for the South Dakota economy is optimistic as the State's economy is expected to continue to strengthen. Recent economic data supports this forecast since employment continues to grow, wages continue to rise, consumers continue to spend, and the housing market continues to remain strong. In addition, the projected strengthening in the national economy should give a boost to economic growth in South Dakota.

MAJOR INITIATIVES

2010 Initiative. On October 15 and 16, 2003, the 2010 Initiative was unveiled at the 2010 Summit at Mount Rushmore National Monument. The 2010 Initiative outlines a series of specific goals for economic growth and visitor spending in the State by the year 2010. There are five major goals for the 2010 Initiative: 1) double visitor spending from $600 million to $1.2 billion by 2010; 2) increase gross state product by $10 billion by 2010; 3) become a recognized leader in research and technology development by 2010; 4) brand and develop the State's quality of life as the best in America by 2010; and 5) uphold our commitment to the 2010 Initiative as a work in progress.

The fiscal year 2006 budget will continue to fund programs began in fiscal year 2005 to help in accomplishing these goals.

Ph.D. Programs. Governor Round's 2010 Initiative seeks to expand the state's capacity to conduct and commercialize scientific research at the public universities. For fiscal year 2006, $1,088,164 in state general funds was committed for three new Ph.D. programs that will increase South Dakota's research capacity, offer new educational opportunities to its young people, and support the four research centers that were funded in fiscal year 2005.

The Board of Regents invited Ph.D. proposals from the public universities and all proposals were evaluated by external reviewers who are experts in their fields. The $1,088,164 appropriated by the Legislature along with substantial investments by the universities will fund these new programs. The three new programs are as follows:

- Ph.D. in Nanoscience and Nanoengineering – South Dakota School of Mines and Technology
- Ph.D. in Computational Science and Statistics – South Dakota State University and The University of South Dakota
- Combined M.D./Ph.D. Physician Scientist Program – The University of South Dakota

SD Certified Beef Program. Agriculture is the State of South Dakota's number one industry. With the passage of SB220 during the 2005 legislative session, the South Dakota Certified Beef Program was created to make sure agriculture can continue to be South Dakota's number one industry and provide new opportunities for the children and future generations of South Dakotans. As part of the Governor's 2010 Initiative, the mission of the South Dakota Certified Beef Program is to add value to South Dakota Beef Products using State verified protocols that raise the standards of local beef production to provide safety and product quality assurances to discriminating consumers.

Prairie Dog Control. The State of South Dakota has been participating in interstate prairie dog discussions and planning efforts since late 1998 in a coordinated attempt to avoid any present or future need for threatened species listing under the authority of the federal Endangered Species Act and thereby protect property rights. The overriding goals of the state planning effort have been to maintain state authority for the black-tailed prairie dog by demonstrating a meaningful, long-term commitment to its conservation needs, to lessen the potential negative impacts to private landowners, and to minimize the impact on species dependent on the black-tailed prairie dog in South Dakota. The passage of HB1252 during the 2005 legislative session approved the statewide Prairie Dog Management Plan. Along with the approval of the management plan, financial support for the plan was secured through HB1088. HB1088, the fiscal year 2006 general appropriations act, dedicated $150,000 of on-going state general funds within the Department of Agriculture for prairie dog management.

K-12 Education Funding. Because of declining enrollments, South Dakota's school districts are facing financial difficulties. Beginning in fiscal year 2004, the Governor and the Legislature have worked to increase funding to K-12 education. This has been accomplished by two approaches – rolling "declining enrollment" dollars back into the State Aid to General Education formula and year end distributions of left over state aid monies to school districts.

Declining enrollment dollars are a method to help school districts gain some financial stability as enrollments decline. The State Aid to General Education formula is distributed based on the number of students enrolled in a district. Fewer students means less financial resources distributed to the district. For fiscal year 2004, fiscal year 2005, and fiscal year 2006, the State has increased the per student allocation for the State Aid to General Education formula by the amount the formula would be reduced

based on fewer students. In addition to the declining enrollment dollars, an additional $46.42 per student was added to the formula on an on-going basis in fiscal year 2006.

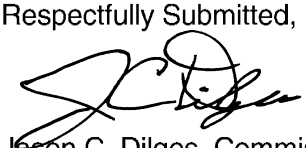
These approaches have resulted in an additional $12.3 million in on-going funding and $16.9 million in one-time funding being allocated to the K-12 community since fiscal year 2004.

ACKNOWLEDGMENTS

The preparation of this report required the collective efforts of numerous financial personnel throughout the state from various agencies and departments. I sincerely appreciate the dedicated efforts of all of these individuals. I would also like to recognize and commend the efforts of the accounting staff of the Bureau of Finance and Management and the staff of the Department of Legislative Audit for their talents in making this report possible.

This report continues our commitment to the citizens of the State of South Dakota, the Governor, the Legislature, and the financial community, to maintain the highest standards of accountability and financial reporting.

Respectfully Submitted,



Jason C. Dilges, Commissioner
Bureau of Finance and Management

SOUTH DAKOTA
PRINCIPAL STATE OFFICIALS

EXECUTIVE BRANCH

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THE HONORABLE DENNIS DAUGAARD, LIEUTENANT GOVERNOR

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The Honorable Chris Nelson, Secretary of State
The Honorable Vernon Larson, Treasurer
The Honorable Richard Sattgast, Auditor
The Honorable Bryce Healy, Commissioner, School and Public Lands

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The Honorable Gary Hanson, Commissioner
The Honorable Bob Sahr, Commissioner

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Speaker of the House

The Honorable Eric Bogue
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The Honorable Garry Moore
Senate Minority Leader

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Chief Justice

The Honorable Richard Sabers
Associate Justice

The Honorable John Konenkamp
Associate Justice

The Honorable Steven Zinter
Associate Justice

The Honorable Judith Meierhenry
Associate Justice

SOUTH DAKOTA
FY2004 FUNCTIONS OF STATE GOVERNMENT

GENERAL GOVERNMENT

- Executive Management
- Revenue
- Lottery
- Legislature
- School and Public Lands
- Secretary of State
- State Treasurer
- State Auditor

HEALTH, HUMAN AND SOCIAL SERVICES

- Social Services
- Health
- Labor
- Veterans Benefits and Services
- State Veterans' Home
- Human Services

LAW, JUSTICE, PUBLIC PROTECTION AND REGULATION

- Corrections
- Unified Judicial System
- Attorney General
- Public Safety
- Military and Veterans' Affairs
- Appraiser Program
- Revenue Financial Services
- Public Utilities Commission
- Petroleum Release Compensation

AGRICULTURE AND NATURAL RESOURCES

- Agriculture
- Game, Fish, and Parks
- Environment and Natural Resources

TRANSPORTATION

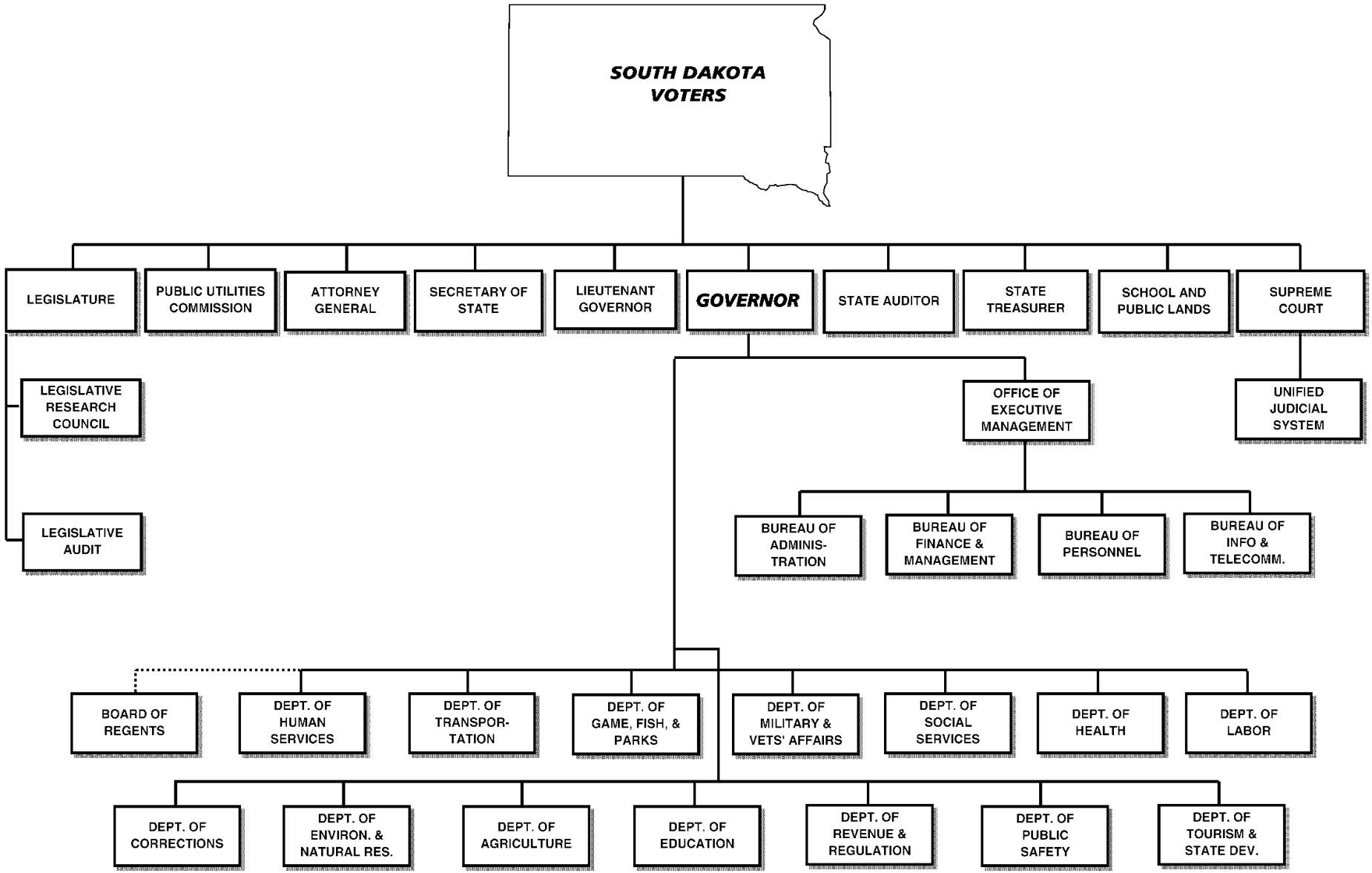
- Transportation

EDUCATION

- Education
  - Elementary, Secondary, and Vocational Schools
- Higher Education
  - State Aid to Universities

ECONOMIC RESOURCES

- Tourism and State Development


SOUTH DAKOTA VOTERS
LEGISLATURE
PUBLIC UTILITIES COMMISSION
ATTORNEY GENERAL
SECRETARY OF STATE
LIEUTENANT GOVERNOR
GOVERNOR
STATE AUDITOR
STATE TREASURER
SCHOOL AND PUBLIC LANDS
SUPREME COURT
LEGISLATIVE RESEARCH COUNCIL
LEGISLATIVE AUDIT
OFFICE OF EXECUTIVE MANAGEMENT
UNIFIED JUDICIAL SYSTEM
BUREAU OF ADMINIS-TRATION
BUREAU OF FINANCE & MANAGEMENT
BUREAU OF PERSONNEL
BUREAU OF INFO & TELECOMM.
BOARD OF REGENTS
DEPT. OF HUMAN SERVICES
DEPT. OF TRANSPOR-TATION
DEPT. OF GAME, FISH, & PARKS
DEPT. OF MILITARY & VETS' AFFAIRS
DEPT. OF SOCIAL SERVICES
DEPT. OF HEALTH
DEPT. OF LABOR
DEPT. OF CORRECTIONS
DEPT. OF ENVIRON. & NATURAL RES.
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DEPT. OF EDUCATION
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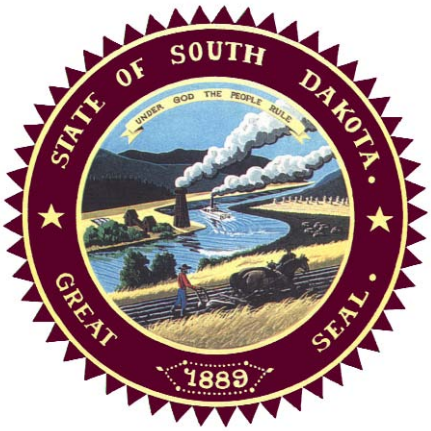
DEPT. OF PUBLIC SAFETY
DEPT. OF TOURISM & STATE DEV.



FINANCIAL SECTION

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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

The Honorable M. Michael Rounds
Governor of South Dakota

and

Members of the Legislature
State of South Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of South Dakota as of and for the fiscal year ended June 30, 2004, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the South Dakota Retirement System, which represents 83% of the assets and 37% of the revenues and additions of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report has been furnished to us; and our opinion, insofar as it relates to the amounts included for the South Dakota Retirement System, is based on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

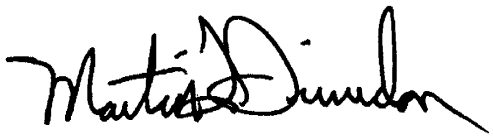
In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate

remaining fund information of the State of South Dakota as of June 30, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management discussion and analysis and budgetary comparison schedule as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of South Dakota's basic financial statements. The introductory section, statistical tables and combining fund statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2005 on our consideration of the State of South Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Martin L. Guindon, CPA
Auditor General

March 30, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the state of South Dakota's (herein after referred to as the State) financial performance and position, providing an overview of the State's financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the transmittal letter in the Introductory Section of this report and with the State's financial statements that follow this section.

FINANCIAL HIGHLIGHTS

Government-wide

- The assets of the State exceeded its liabilities at the close of the fiscal year by $3.9 billion (reported as net assets), an increase of $181.2 million from the previous year. Component units reported net assets of $803.6 million, an increase of $241.2 million from the previous year primarily due to implementation of Governmental Accounting Standards Board (GASB) Statement No. 39 that requires the inclusion of applicable foundations' financial data.

Fund Level

- At the close of the fiscal year, the State's governmental funds reported combined ending fund balances of $1.4 billion, with $1.2 billion reported as *unreserved fund balance* and the remaining amount of $222.0 million reserved for specific purposes (such as encumbrances, inventories, debt service, environmental projects, school perpetuity, indemnification, mine closure, other, and noncurrent assets). At the end of the fiscal year, the unreserved fund balance for the General Fund was $118.8 million, of which $41.9 million was designated only to be used to address emergency situations without having to raise taxes or cut spending, which is commonly referred to by management as the budget reserve.

- Proprietary funds reported net assets at year-end of $351.8 million, an increase of $30.4 million during the year.

Long-Term Debt

- The primary government's total long-term debt (bonds and notes payable) as of June 30, 2004 declined to $407.9 million, a decrease of $14.9 million from the last fiscal year-end. The decrease represents payments of outstanding debt.

- During the year, the State, South Dakota Conservancy District, South Dakota Building Authority, and Educational Enhancement Funding Corporation incurred no new long-term general indebtedness under governmental and business-type activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the State's basic financial statements. The State's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements and combining component units financial statements; and, 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements (Reporting the State as a Whole)

The government-wide financial statements are designed to provide readers with a broad overview of the State's finances in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the State's financial position that aids in assessing the State's economic condition at the end of the fiscal year. These statements include all nonfiduciary assets and liabilities, using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account, regardless of when cash is received or paid. The government-wide financial statements include two statements:

- ***The Statement of Net Assets*** presents information on all of the State's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

- ***The Statement of Activities*** presents information depicting how the State's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both the statement of net assets and the statement of activities segregate the activities of the State into three types:

- ***Governmental Activities.*** The governmental activities of the State include general government; education – elementary, secondary and vocational schools; education – state support to universities; health, human and social services; law, justice, public protection and regulation; agriculture and natural resources; economic resources; transportation; intergovernmental – payments to school districts; intergovernmental – revenue sharing; interest expense; and, unallocated depreciation. Taxes, fees, unrestricted investment earnings, and intergovernmental revenues (federal grants) finance most of the costs of these activities.

- ***Business-Type Activities.*** The State charges fees to customers to help cover all or most of the cost of certain services it provides. Lottery Fund and Clean Water State Revolving Fund are examples of business-type activities.

- ***Discretely Presented Component Units.*** Component units are legally separate organizations for which the State is financially accountable, or the nature and significance of the unit's relationship with the State is such that exclusion of the unit would cause the State's financial statements to be misleading, or incomplete. The following entities are included in the component units columns of the State's government-wide financial statements:

  - ✓ Higher Education
  - ✓ Conservation Reserve Enhancement Program (CREP)
  - ✓ South Dakota Housing Authority
  - ✓ South Dakota Finance Authority
  - ✓ Value Added Finance Authority

  Other component units are blended and reported in Governmental Activities or Business-Type Activities, or considered related organizations and not reported in these financial statements. For additional information regarding component units, refer to Note 1 B of the Notes to the Financial Statements.

Fund Financial Statements and Combining Component Units Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required by law, while others are established internally to maintain control over a particular activity. All funds of the State can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. It is important to note that these categories use different accounting approaches and should be interpreted differently.

- ***Governmental Funds.*** Most of the State's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the State's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental funds include the General Fund and special revenue, capital projects, debt service, and permanent funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the State's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental funds financial statement.

The State maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Transportation Fund, Social Services Federal Fund, Dakota Cement Trust Fund, and Education Enhancement Trust Fund, which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for some nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

- ***Proprietary Funds.*** Proprietary funds include: (1) enterprise funds and (2) internal service funds. These funds account for the State's activities that operate much like private sector businesses. Like the government-wide financial statements, proprietary fund statements are presented using the full accrual basis of accounting.

  1. Activities (e.g., Lottery Fund) that largely involve customers outside of state government are accounted for in enterprise funds, and are the same functions reported as business-type activities in the government-wide financial statements.

  2. Activities (e.g., Fleet and Travel Management) that largely involve other state agencies are accounted for in internal service funds. The internal service fund activities are consolidated with the governmental activities in the government-wide financial statement because those services predominantly benefit governmental rather than business-type activities.

  The State maintains several individual proprietary funds, of which the following two are considered major funds: Lottery Fund and Clean Water State Revolving Fund. These two proprietary funds are presented separately in the proprietary funds statement of net assets and statement of revenues, expenses, and changes in fund net assets. Information from the remaining funds is combined into two separate, aggregated columns by proprietary fund type. Individual fund data for some nonmajor proprietary funds is provided in the form of combining statements elsewhere in this report.

- ***Fiduciary Funds.*** Fiduciary funds are used to report activities when the State acts as a trustee or fiduciary to hold resources for the benefit of parties outside state government. The full accrual basis of accounting is used for fiduciary funds and is similar to the accounting used for proprietary funds. The government-wide financial statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and cannot be used by the State to finance operations.

  The State's fiduciary funds include pension trust funds, private purpose trust funds, and agency funds. Individual fund detail is included in the combining financial statements elsewhere in this report.

Component Units. As mentioned above, component units are legally separate organizations for which the State is financially accountable. The government-wide financial statements present information for the discretely presented component units (a) in a single, aggregated column on the statement of net assets, and (b) in detail for each component unit on the statement of activities. The combining statement of net assets and combining statement of revenues, expenses and changes in fund net assets provide detail for each discretely presented component unit.

Notes to the Financial Statements

The notes provide additional narrative and financial information essential to fully understand the data provided in the government-wide financial statements, fund financial statements, and combining discretely presented component units financial statements. The notes to the financial statements are located immediately following the combining discretely presented component units financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes a Budgetary Comparison Schedule, and related notes, for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The only special revenue funds that fits this criterion are the Transportation Fund and the Social Services Federal Fund.

The Budgetary Comparison Schedule presents both the original and the final appropriated budgets for the fiscal year ending June 30, 2004. The Budgetary Comparison Schedule also lists the actual outflows and balances stated on a budgetary basis. A variance column is included to compare the final appropriated budget with the actual budget results.

Because accounting principles used to present budgetary basis differ significantly from those used to present financial statements in conformity with Generally Accepted Accounting Principles (GAAP), a Budget-to-GAAP Reconciliation can be found immediately following the Budgetary Comparison Schedule. The Budget-to-GAAP reconciliation explains the differences between budgetary outflows and GAAP expenditures.

Other Supplementary Information

Other supplementary information includes combining financial statements for nonmajor governmental, proprietary, and fiduciary funds. These funds are added together, by fund type, and presented in single columns in the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets. As presented in the following table, total assets of the State on June 30, 2004 were $4.8 billion, while total liabilities were $0.9 billion, resulting in combined net assets (governmental and business-type activities) of $3.9 billion.

State of South Dakota
Net Assets
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Current and Other Assets	$ 1,840,915	$ 1,783,895	$ 362,892	$ 350,966	$ 2,203,807	$ 2,134,861
Capital Assets	2,649,539	2,599,594	2,757	2,644	2,652,296	2,602,238
Total Assets	4,490,454	4,383,489	365,649	353,610	4,856,103	4,737,099
Long-Term Liabilities Outstanding	492,205	508,521	30,087	31,316	522,292	539,837
Other Liabilities	368,316	404,638	21,290	29,619	389,606	434,257
Total Liabilities	860,521	913,159	51,377	60,935	911,898	974,094
Net Assets:						
Invested in Capital Assets, Net of Related Debt	2,572,130	2,520,503	2,737	2,615	2,574,867	2,523,118
Restricted	253,780	248,126	215,957	197,892	469,737	446,018
Unrestricted	804,023	701,701	95,578	92,168	899,601	793,869
Total Net Assets	**$ 3,629,933**	**$ 3,470,330**	**$ 314,272**	**$ 292,675**	**$ 3,944,205**	**$ 3,763,005**

The largest component of the State's net assets, 65.3%, is investments in capital assets (land; land improvements; land improvements – roads; buildings; equipment; vehicles; infrastructure; and construction in progress), less depreciation and all outstanding debt that was issued to buy or build those assets. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets comprise 11.9% of total net assets. These net assets are subject to restrictions either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws/regulations of other governments; or, (b) imposed by law through constitutional provisions on how they can be used. The remaining balance, $899.6 million, is unrestricted net assets that may be used to meet the State's ongoing

obligations to citizens and creditors. However, certain resources within this balance have internally imposed limitations.

The following net assets are not reported as restricted because the limitations are imposed internally by the State, not externally imposed by sources such as creditors. Internally imposed limitations on the use of unrestricted assets include, but may not be limited to, the following:

- ***General Fund Budget Reserve.*** The 1991 South Dakota Legislature established a General Fund Budget Reserve that would only be used to address emergency situations without having to raise taxes or cut spending. The balance in the General Fund Budget Reserve at June 30, 2004 was $41.9 million, an increase of $1.2 million from the previous year.

- ***Dakota Cement Trust Fund.*** This fund consists of the proceeds from the sale of the State Cement Plant and all investment earnings thereon. Article XIII, section 21 of the Constitution of the State of South Dakota states as follows: "Except as provided in Article XIII, section 20 of the Constitution of the State of South Dakota, the original principal of the trust fund shall forever remain inviolate. However, the Legislature shall, by appropriation, make distributions from the difference between the twelve million dollar annual general fund transfer and five percent of the market value of the trust fund for the support of education, but not for the replacement of state aid to general education or special education, if the increase in the market value of the trust fund in that fiscal year was sufficient to maintain the original principal of the trust fund after such distributions. Beginning with fiscal year 2006, the market value of the trust fund shall be determined by adding the market value of the trust fund at the end of the sixteen most recent calendar quarters, and dividing that sum by sixteen". The fund balance in the Dakota Cement Trust Fund at June 30, 2004 was $240.7 million, an increase of $6.3 million from the previous year.

- ***Health Care Trust Fund.*** This fund consists of monies that were on deposit in the Intergovernmental Transfer Fund. This fund is authorized by State law to make an annual distribution equal to 4.0% of its market value (less the investment expenses) into the General Fund for health care related programs. Article XII, section 5 of the Constitution of the State of South Dakota also states that, "the Health Care Trust Fund may not be diverted for other purposes, nor may the principal be invaded unless appropriated by a three-fourths vote of all of the members-elect of each house of the legislature". The fund balance in the Health Care Trust Fund at June 30, 2004 was $85.4 million, an increase of $2.7 million from the previous year.

- ***Education Enhancement Trust Fund.*** This fund consists of monies received from the Tobacco Settlement Agreement, monies transferred from the Tobacco Securitization Fund, and monies from the Youth-at-Risk Fund. The fund is authorized by State law to make an annual distribution equal to 4.0% of its market value (less the investment expenses) into the General Fund for educational enhancement programs. Article XII, section 6 of the Constitution of the State of South Dakota also states that, "the Education Enhancement Trust Fund may not be diverted for other purposes, nor may the principal be invaded unless appropriated by a three-fourths vote of all the members-elect of each house of the legislature". The fund balance in the Education Enhancement Trust Fund at June 30, 2004 was $347.4 million, an increase of $7.6 million from the previous year.

- ***Property Tax Reduction Fund.*** The Property Tax Reduction Fund (PTRF) was created to fund property tax relief in South Dakota. SB 225, passed during the 1996 legislative session, provides that the Commissioner of the Bureau of Finance and Management may transfer monies available from the PTRF to the general fund to provide property tax relief through state aid to education. Revenues deposited in the PTRF come from three sources: 1) 49.5% of video lottery net machine income; 2) 60% of the revenue from the 4% tax on the gross receipts of telecommunications services, which was imposed by HB 1104 passed by the 2003 legislature; and, 3) unobligated cash remaining at the end of a fiscal year after the transfer into the Budget Reserve Fund, if the amount in the PTRF does not exceed 15% of the general fund appropriations in the General Appropriations Act for the previous fiscal year. The fund balance in the Property Tax Reduction Fund at June 30, 2004 was $121.0 million, an increase of $51.1 million from the previous year.

Changes in Net Assets. The following table summarizes financial information derived from the government-wide statement of activities and reflects how the State's net assets changed during fiscal year 2004.

State of South Dakota
Changes in Net Assets
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program Revenues:						
Charges for Service	$ 254,840	$ 240,181	$ 194,405	$ 183,459	$ 449,245	$ 423,640
Operating Grants and Contributions	1,134,512	1,108,871	31,995	19,846	1,166,507	1,128,717
Capital Grants and Contributions	922	2,734			922	2,734
General Revenues:						
Sales Taxes	524,705	488,742			524,705	488,742
Motor Fuel Taxes	156,212	156,029			156,212	156,029
Contractors Excise Taxes	60,322	56,852			60,322	56,852
Bank Card and Franchise Taxes	47,458	46,847			47,458	46,847
Other Taxes	179,866	181,509			179,866	181,509
Unrestricted Investment Earnings	54,190	74,953			54,190	74,953
Gain on Sale of Capital Assets	398	877			398	877
Miscellaneous	33,854	32,245			33,854	32,245
Total Revenue	2,447,279	2,389,840	226,400	203,305	2,673,679	2,593,145
Program Expenses:						
General Government	131,737	140,681			131,737	140,681
Education – Elementary, Secondary and Vocational Schools	156,652	143,229			156,652	143,229
Education – State Support to Universities	137,028	133,337			137,028	133,337
Health, Human and Social Services	903,644	876,202			903,644	876,202
Law, Justice, Public Protection And Regulation	180,802	169,792			180,802	169,792
Agriculture and Natural Resources	96,077	101,497			96,077	101,497
Economic Resources	37,260	36,763			37,260	36,763
Transportation	336,259	290,739			336,259	290,739
Intergovernmental – Payments to School Districts	326,559	312,665			326,559	312,665
Intergovernmental – Revenue Sharing	82,878	83,945			82,878	83,945
Interest Expense	25,410	22,281			25,410	22,281
Unallocated Depreciation	53	70			53	70
Lottery			28,034	23,873	28,034	23,873
Clean Water State Revolving			1,616	1,500	1,616	1,500
Other			62,717	60,752	62,717	60,752
Total Expenses	2,414,359	2,311,201	92,367	86,125	2,506,726	2,397,326
Excess (Deficiency) Before Transfers	32,920	78,639	134,033	117,180	166,953	195,819
Transfers	112,762	111,906	(112,762)	(111,906)	0	0
Change in Net Assets	145,682	190,545	21,271	5,274	166,953	195,819
Net Assets – Beginning (As Restated)	3,484,251	3,279,785	293,001	287,401	3,777,252	3,567,186
Net Assets – Ending	**$3,629,933**	**$3,470,330**	**$ 314,272**	**$ 292,675**	**$3,944,205**	**$3,763,005**

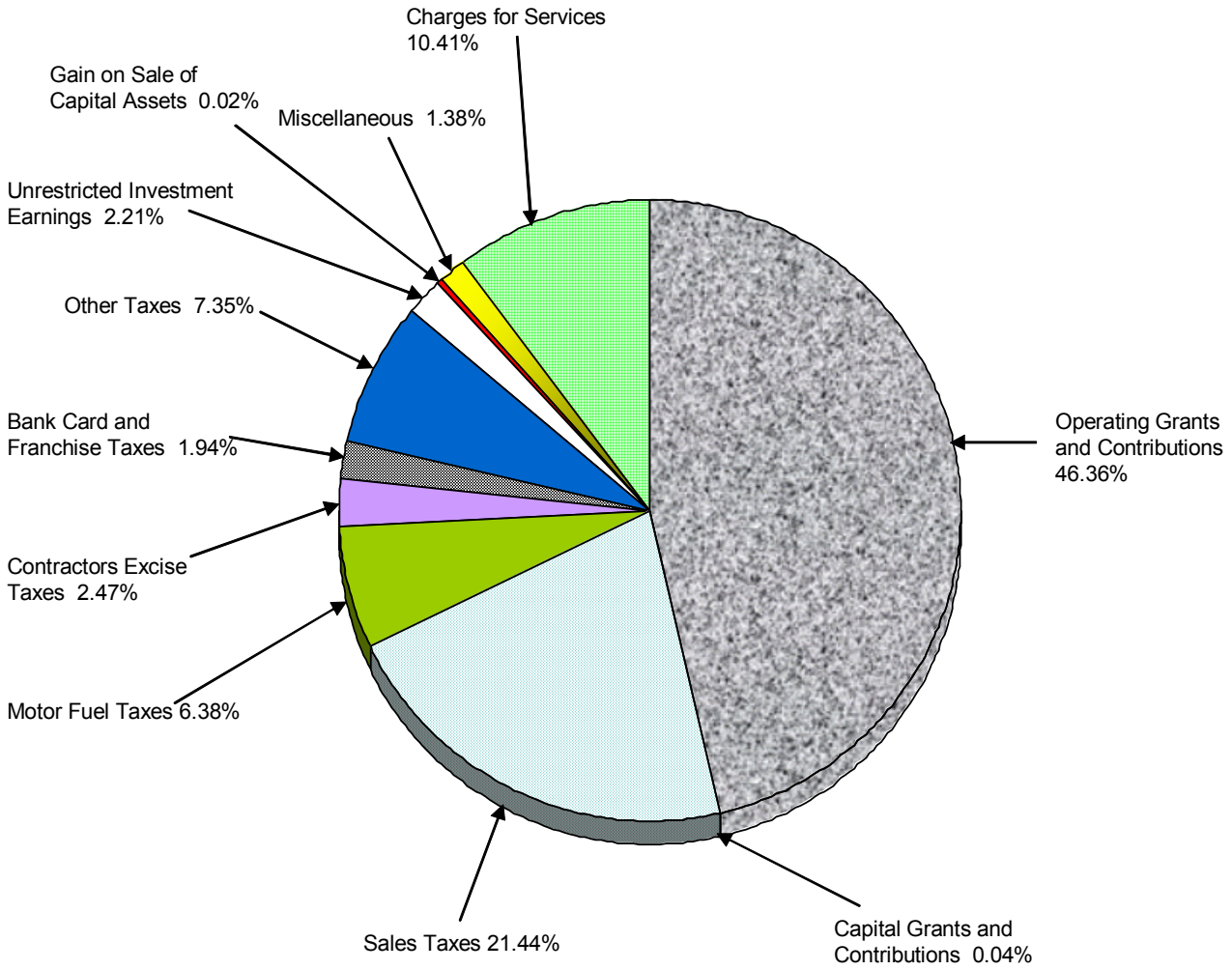
Governmental Activities:

Governmental activities (including restatements) increased the State's net assets by $159.6 million. Factors contributing to the increase include, but are not limited to:

- An excess of revenues over expenses (before transfers) of $32.9 million, primarily due to (1) management efforts to hold down expenditures, and (2) a strengthened economy resulting in increased tax and charges for service revenues; and,
- Net transfers totaling $112.8 million. The majority of transfers in were from the South Dakota Lottery in the amount of $115.8 million.

The following chart depicts revenues of the governmental activities for the fiscal year:

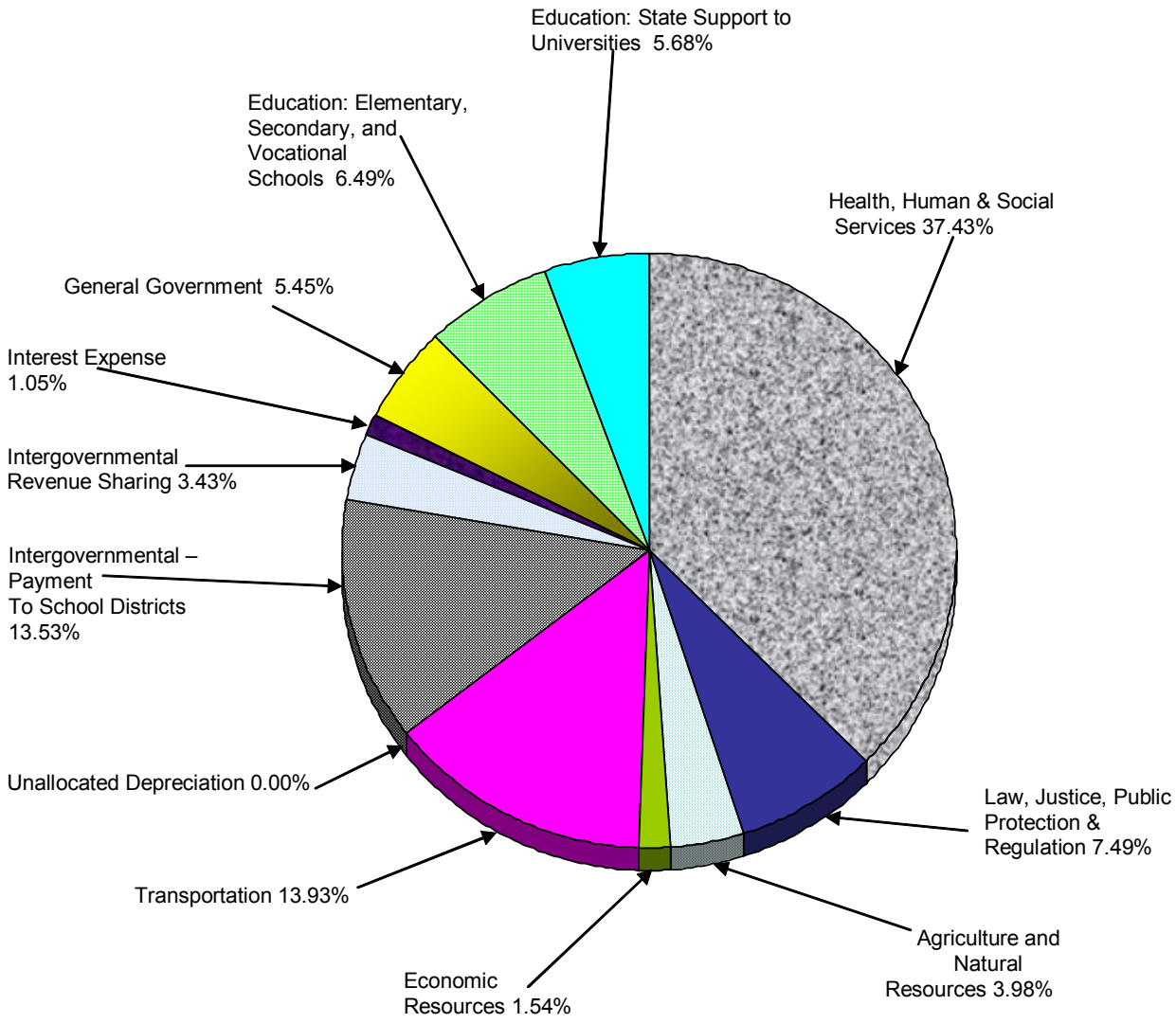
State of South Dakota
Revenues – Governmental Activities
Fiscal Year Ended June 30, 2004


Charges for Services 10.41%
Gain on Sale of Capital Assets 0.02%
Miscellaneous 1.38%
Unrestricted Investment Earnings 2.21%
Other Taxes 7.35%
Bank Card and Franchise Taxes 1.94%
Contractors Excise Taxes 2.47%
Motor Fuel Taxes 6.38%
Sales Taxes 21.44%
Capital Grants and Contributions 0.04%
Operating Grants and Contributions 46.36%

Total Revenues $2,447,279

The following chart depicts expenses of the governmental activities for the fiscal year:

State of South Dakota
Expenses – Governmental Activities
Fiscal Year Ended June 30, 2004


Education: State Support to Universities 5.68%
Education: Elementary, Secondary, and Vocational Schools 6.49%
Health, Human & Social Services 37.43%
General Government 5.45%
Interest Expense 1.05%
Intergovernmental Revenue Sharing 3.43%
Intergovernmental – Payment To School Districts 13.53%
Unallocated Depreciation 0.00%
Law, Justice, Public Protection & Regulation 7.49%
Transportation 13.93%
Agriculture and Natural Resources 3.98%
Economic Resources 1.54%

Total Expenses $2,414,359

Business-Type Activities:

Net assets of the business-type activities increased by $21.6 million during the fiscal year. Factors contributing to the increase include, but are not limited to:

- The Clean Water and Drinking Water State Revolving Funds together had an increase in net assets of $30.8 million primarily due to federal funding of loan programs; and,
- The net assets of the Unemployment Insurance Fund declined by $11.8 million. The decline was primarily due to claims exceeding assessments by $14.0 million. Claims of approximately $11.0 million were paid out of reserve funds, which exist for this purpose.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

As noted earlier, the State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required by law, while others are established internally to maintain control over a particular activity.

Governmental Funds

The focus of the State's governmental funds is to provide information on near-term inflows and outflows during the fiscal year, and on balances of spendable resources as of fiscal year-end. Such information is useful in assessing the State's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. However, this measure must be used with care because large portions of the balance may relate to internally imposed limitations, such as statutory language, which could limit resource use (e.g., General Fund Budget Reserve, Dakota Cement Trust Fund, Health Care Trust Fund, Education Enhancement Trust Fund, and Property Tax Reduction Fund), unless appropriated by legislative action as defined by State law.

At the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of $1.4 billion, an increase of $70.7 million in comparison with the prior year.

Approximately 15.9%, or $222.0 million of the combined ending fund balances, is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders for the prior fiscal year -- $31.5 million, 2) to pay debt service -- $105.1 million, 3) to pay for environmental projects -- $10.0 million, 4) to be held in permanent trust funds with earnings distributed to primary governments and universities -- $25.1 million, 5) to be held for indemnification -- $10.0, or 6) for inventories and a variety of other restricted purposes -- $40.3 million.

Approximately 3.0%, or $41.9 million of the combined ending fund balances, is designated as a General Fund Budget Reserve to indicate that it has been designated through internally imposed limitations to be used only to address emergency situations without having to raise taxes or cut spending.

The remaining 81.1%, or $1.2 billion of the combined ending fund balances, constitutes unreserved fund balance that may be used to meet the State's ongoing obligations to citizens and creditors. However, as previously mentioned, large portions of this balance relate to internally imposed limitations, such as statutory language that could limit resource use, unless appropriated by legislative action as defined by State law. Examples of funds (and reported unreserved fund balances) that are subject to internally imposed limitations include, but may not be limited to: 1) Dakota Cement Trust Fund -- $240.7 million, 2) Health Care Trust Fund -- $85.4 million, 3) Education Enhancement Trust Fund -- $347.4 million, and 4) Property Tax Reduction Fund -- $121.0 million. **Note:** For a complete explanation of these funds, refer to the previous section entitled, "Government-Wide Financial Analysis".

The following governmental funds are major funds and had significant changes to net assets during fiscal year 2004:

- ***General Fund.*** The General Fund is the chief operating fund of the State. At the end of the fiscal year, the unreserved fund balance of the General Fund was $118.8 million, of which $41.9 million was designated only to be used to address emergency situations without having to raise taxes or cut spending (budget reserve). The total fund balance at the end of the current fiscal year was $137.6 million. As a measure of General Fund's liquidity, it may be useful to compare both the unreserved fund balance and total fund balance to total fund expenditures. The unreserved fund balance (including the unreserved designated amount) represents 13.8% of the total General Fund operating expenditures, while the total fund balance represents 16.0% of that same amount.

Overall, the fund balance of the State's General Fund decreased by $1.9 million during the current fiscal year. This is a 1.4% decrease from the prior year. Factors contributing to the decrease include, but are not limited to: 1) decreased transfers in from the Property Tax Reduction Fund due to fiscal relief from the federal government, and 2) increased transfers out primarily to the Science and Technology Fund and the South Dakota Risk Pool Reserve. However, the decrease to the fund balance of the State's General Fund was minimized primarily by, but not limited to: 1) increased tax revenues due to a strengthened economy and 2) decreased expenditures due to management's efforts to hold down expenditures and fiscal relief from the federal government.

- ***Transportation Fund.*** The total fund balance at the end of the current fiscal year for the Transportation Fund was $112.9 million, an increase of $29.5 million from the prior fiscal year. The fund balance increase was primarily the result of a reduction in planned highway construction projects due to delayed reauthorization of the Federal Highway Bill.

Proprietary Funds

The State's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The following proprietary fund is a major fund and had a significant effect on the State's governmental activities during fiscal year 2004:

- ***Lottery Fund.*** At the end of the current fiscal year, the Lottery Fund reported total net assets of $6.0 million, an increase of $0.4 million in comparison with the prior year. During the current fiscal year, the State Lottery produced income (before operating transfers) in the amount of $116.2 million on total revenue of $143.7 million, compared to the previous fiscal year's income (before operating transfers) of $112.6 million on total revenue of $136.0 million. The increase was largely the result of increased video lottery revenue and increases in instant and on-line ticket sales. During fiscal year 2004, the State Lottery distributed approximately $107.3 million to the Property Tax Reduction Fund, $4.8 million to the General Fund, $3.4 million to the Capital Construction Fund, and $0.2 million to the Department of Human Services.

Budgetary Highlights - General Fund, Transportation Fund and Social Services Federal Fund

The following analysis is based on the Budgetary Comparison Schedules included in the Required Supplementary Information that immediately follows the basic financial statements.

The original budget is defined as the first complete appropriated budget, adjusted by reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes before the beginning of the fiscal year. Any such transaction that is authorized as a legislative or executive change before the beginning of the fiscal year is included in the original budget, regardless of the effective date of the document loaded on the accounting system. The original budget also includes any actual appropriation amounts carried forward by law from prior years, including special appropriations, maintenance and repair, and carryovers. The final budget is defined as the original budget, adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes after the beginning of the fiscal year.

General Fund. The difference between the original and the final amended budget was relatively minor ($16.0 million decrease in appropriations) and is primarily due to the following areas:

- $3.5 million supplemental appropriations to the Department of Agriculture for costs related to the suppression of wildfires and to the State Fair for the repayment of debt.

- $14.3 million appropriations to the Department of Tourism and State Development for certain provisions relating to the transfer of a portion of the former Homestake Mine to the Science and Technology Authority, such as costs associated with: maintaining the mine, purchasing liability insurance, and to operate the Homestake Underground Laboratory.

- $4.2 million supplemental appropriations to the Department of Military and Veteran's Affairs for certain provisions relating to the veteran's bonus program.

- $8.2 million supplemental appropriations to the office of the Attorney General and Department of Public Safety to contract for the construction of a law enforcement training academy, a criminal forensics laboratory, and a criminal justice and emergency operations center building in Pierre.

- $9.2 million supplemental appropriations to various departments passed during the 2004 legislative session.

- $50.0 million reduction of appropriations to the Department of Education due to the Federal Jobs and Growth Tax Reconciliation Act of 2003.

- $16.3 million reduction of appropriations to the Department of Social Services, Department of Human Services, and Department of Corrections due to the enhanced Federal Medical Assistance Percentage (FMAP) rate provided for in the Federal Jobs and Growth Tax Reconciliation Act of 2003. This was partially offset by an $11.0 million increase in appropriations within the Department of Social Services due to a funding shortfall for the Medicaid program.

The difference between the final amended budget and actual spending ($16.2 million below final budgeted estimates) resulted from the following:

- Agencies controlled spending in an effort to create budgetary savings to the General Fund of $2.3 million.

- Maintenance and repair amounts of $0.2 million statutorily authorized to be carried forward and spent in future years.

- Special appropriation amounts of $13.7 million statutorily authorized to be carried forward and spent in future years, mostly pertaining, but not limited, to the veterans bonus program ($4.2 million) and the training academy, forensics laboratory, and emergency operations center ($6.6 million) that are mentioned above.

Overall, there were no over-expenditures by State departments or line item over-expenditures of General Funds during the fiscal year.

Transportation Fund. The difference between the original and the final amended budget was relatively minor ($0.8 million increase in appropriations) and is due to the matching of federal discretionary funds for airport construction.

The difference between the final amended budget and actual spending ($37.9 million) was lower than the final amended budget is primarily due, but not limited, to highway construction project changes and delays ($27.0 million), lower personal service expenditures due to turnover and retirement ($4.2 million), and lower levels of operating expenditures due to lack of federal transportation bill ($7.0 million).

Overall, there were no over-expenditures at the department level or line item over-expenditures of the fund during the current fiscal year.

Social Services Federal Fund. The difference between the original and the final amended budget was relatively minor ($24.1 million increase in appropriations) and is due to $24.1 million in supplemental federal appropriations to the Department of Social Services because of a shortfall in the Medicaid budget due to rising costs per Medicaid eligible individuals.

The difference between the final amended budget and actual spending ($10.7 million below final budgeted estimates) was primarily due to lower than budgeted expenditures of 100% federal Medicaid funds for medical services provided by Indian Health Services. The main reason the entire budget for this item was not expended was because of a disallowance from the federal government regarding services referred to contracted facilities, which resulted in a lawsuit with the federal government. The outcome of this lawsuit was still pending during fiscal year 2004.

Overall, there were no over-expenditures at the department level or line item over-expenditures of the fund during the current fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The State's investment in capital assets for its governmental and business type activities as of June 30, 2004 is $2.7 billion (net of accumulated depreciation). This investment in capital assets includes land; land improvements; land improvements – roads; buildings; equipment; vehicles; infrastructure; and construction in progress.

State of South Dakota
Capital Assets - Primary Government
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Land	$ 64,083	$ 61,362	$ 354	$ 354	$ 64,437	$ 61,716
Land Improvements	9,838	8,715	924	687	10,762	9,402
Land Improvements - Roads	559,379	556,141	0	0	559,379	556,141
Buildings	251,193	248,848	4,008	3,637	255,201	252,485
Equipment	125,183	120,617	2,153	2,133	127,336	122,750
Vehicles	93,075	89,885	0	0	93,075	89,885
Infrastructure	2,666,579	2,607,847	0	0	2,666,579	2,607,847
Construction in Progress	186,229	170,028	0	371	186,229	170,399
Total Capital Assets	3,955,559	3,863,443	7,439	7,182	3,962,998	3,870,625
Accumulated Depreciation	(1,306,020)	(1,263,849)	(4,682)	(4,538)	(1,310,702)	(1,268,387)
Total Capital Assets, Net	$ 2,649,539	$ 2,599,594	$ 2,757	$ 2,644	$ 2,652,296	$ 2,602,238

The most significant capital asset the state reported in fiscal year 2004 was infrastructure assets and related land, land improvements, and construction in progress. Infrastructure assets are long lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems. Infrastructure assets account for $2.3 billion (net of accumulated depreciation), which is 85.2% of total capital assets (net of accumulated depreciation).

The State's investment in capital assets (net of accumulated depreciation) changed from fiscal year 2003 to 2004 by approximately 1.9%. The change was primarily due to ongoing construction and completion of segments of infrastructure—highways, bridges, and railroads. Construction in progress for highways, bridges, and railroads increased by $110.4 million and decreased (projects completed and capitalized) by $107.7 million. Land and land improvements increased by $4.1 million which consisted largely of additions of land by the Department of Game, Fish and Parks ($1.8 million), the purchase of excess right-of-way land by the Department of Transportation ($0.9 million) and parking lot improvements by Military and Veterans Affairs ($0.8 million). Building and building improvements increased by $2.7 million. This was largely due to the completion of new buildings and building improvements by the Department of Transportation ($1.4 million), the Department of Military and Veterans Affairs ($0.5 million), and the Department of Corrections ($0.4 million). Equipment assets increased by $4.6 million. This was largely due to the South Dakota Public Broadcasting's digital television conversion that was federally mandated ($3.0 million) and largely due to the purchase of new equipment and replacing of aged equipment by the Department of Transportation ($1.5 million, net of disposals). Vehicles (which include trucks, cars, pickups and other vehicles) increased by $3.2 million largely due to replacing aged vehicles by the Department of Transportation ($1.5 million, net of disposals), Bureau of Administration ($1.2 million, net of disposals), and Department of Game, Fish & Parks ($0.5 million, net of disposals). Construction in progress (other than for highways, bridges, and railroads) increased by $13.1 million. This was largely due to ongoing land and building improvement projects by the Department of Military and Veterans Affairs ($13.8 million, net of projects completed and capitalized); the beginning of a law enforcement training academy, a

criminal forensic laboratory, and a criminal justice and emergency operations center building in Pierre by the Office of Attorney General ($0.8 million); and, the completion and capitalization of the enterprise integration system by the Bureau of Information & Telecommunications ($2.2 million).

More detailed information on the State's capital assets can be found in Note 6 to the financial statements.

Debt Administration

The authority of the State to incur debt is described in Article XIII, Section 2, of the State's Constitution. Generally, the State Constitution prohibits the State from having general obligation indebtedness in excess of $100,000. General obligation indebtedness of the State is backed by the full faith and credit of the State, and reported as part of the governmental activities in the State's basic financial statements.

The South Dakota Building Authority was created and organized by Chapter 5-12 of the South Dakota Codified Laws. The South Dakota Building Authority issues bonds, certificates of participation, and trust certificates to finance the cost to acquire, construct, remodel, maintain, and equip buildings and other facilities of State departments and institutions. These obligations are payable from revenue generated through lease agreements between the South Dakota Building Authority and other state departments and institutions. The South Dakota Building Authority is a blended component unit of the State. At June 30, 2004, the South Dakota Building Authority had a rating of A1 from Moody's and AA- from Standard and Poor's. The indebtedness, bonds, or obligations incurred or created by the South Dakota Building Authority may not be or become a lien, charge, or liability against the State. The bonds and all related financial transactions used to finance buildings of state departments and institutions are reported as part of governmental activities in the State's basic financial statements, except for debt of universities, which is reported as part of the discretely presented component unit information. During the year, the South Dakota Building Authority incurred no new long-term general indebtedness under governmental and business-type activities.

The Educational Enhancement Funding Corporation ("EEFC") is a special purpose corporation, organized by Chapter 5-12 of the South Dakota Codified Laws. EEFC is an instrumentality of, but separate and apart from the State. Although legally separate from the State, EEFC is a blended component unit of the State and, accordingly, is included in the State's financial statements. At June 30, 2004, the EEFC Series 2002A and 2002B Bonds had a rating of Baa3 from Moody's and BBB from Standard and Poor's. Pursuant to a Purchase and Sale Agreement with the State, the State sold to EEFC its future rights, title and interest in the Tobacco Settlement Revenues under the Master Settlement Agreement. The purchase price of the State's future right, title and interest in the TSRs has been financed by the issuance of the Bonds and the Residual Certificate. The Residual Certificate represents the right of the State to receive all amounts required to be distributed after payment of all outstanding bonds and other liabilities of EEFC as set forth in the Trust Indenture. Pursuant to the resolution, EEFC is prohibited from selling additional bonds, other than refunding bonds. The Bonds represent limited obligations of EEFC, payable solely from and secured solely by the pledged TSRs and the pledged amounts. The Bonds are not a debt or liability of the State or of any political subdivision or agency thereof. EEFC has no taxing power. During the year, EEFC incurred no new long-term general indebtedness under governmental and business-type activities.

The South Dakota Conservancy District issues tax exempt revenue bonds for the Clean Water State Revolving Fund (CWSRF) and for the Drinking Water State Revolving Fund (DWSRF). These funds provide low interest loans, or other types of financial assistance to political units for the construction of publicly-owned sanitary and storm sewer infrastructure and construction of drinking water facilities, respectively. At June 30, 2004, the South Dakota Conservancy District had a rating of Aaa from Moody's and AAA from Standard & Poor's. The South Dakota Conservancy District bonds do not constitute a debt or liability of the State, or a pledge of the faith and credit of the State. The bonds are paid solely from the interest earned on the loan repayments and bond proceeds and, if necessary, prior year legislative appropriations of $1.2 million for the CWSRF and $1,424,260 for the DWSRF. The tax exempt revenue bonds and related financial transactions for the CWSRF and DWSRF are reported as part of the business-type activities in the State's basic financial statements.

At June 30, 2004, primary government had total note and bonded debt outstanding of $407.9 million. During the current fiscal year, the State, South Dakota Conservancy District, South Dakota Building Authority, and Educational Enhancement Funding Corporation incurred no new long-term general indebtedness under governmental and business-type activities.

State of South Dakota
Outstanding Loans and Bonded Debt
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Revenue Bonds:						
South Dakota Building Authority	$ 78,479	$ 87,353	$	$	$ 78,479	$ 87,353
Educational Enhancement Funding Corporation	262,989	265,208			262,989	265,208
South Dakota Conservancy District			28,853	30,284	28,853	30,284
Trust Certificates:						
South Dakota Building Authority	37,575	39,955			37,575	39,955
TOTAL	$ 379,043	$ 392,516	$ 28,853	$ 30,284	$ 407,896	$ 422,800

Additional information on the State's long-term debt obligations is located in Note 12 in the Notes to the Financial Statements.

ECONOMIC CONDITIONS AND OUTLOOK

In fiscal year 2004, nonfarm employment in South Dakota grew 0.6%. This was stronger than the national growth rate, as nonfarm employment growth for the U.S. during the same time period was 0.3%. The unemployment rate in South Dakota continued to remain one of the lowest in the nation in fiscal year 2004. South Dakota's unemployment rate was 3.5% in June 2004, while the U.S. unemployment rate was 5.6% the same month.

Amendment C, which repealed the inheritance tax in South Dakota, was passed by the voters on November 7, 2000. The full impact of the loss of the inheritance tax to the General Fund has now begun to be realized as the State continued to collect receipts from the period in which the tax was in effect for a couple of years after the repeal. Collections from this revenue source have now significantly decreased and are only from the State's share of the federal estate tax owed.

Actions taken in the 2003 legislative session that affect ongoing receipts are:

- Increase in the cigarette tax from $0.33 per pack to $0.53 per pack, which became effective in March 2003;
- Broadening of the sales tax to include interstate telephone services, which became effective in May 2003;
- Increase in certain fees charged by the Secretary of State, which became effective in July 2003; and,
- A tax of 4.0% upon the gross receipts of telecommunication services, which became effective in July 2003. Sixty percent of the revenue collected from this tax is deposited into the Property Tax Reduction Fund.

Actions taken in the 2003 legislative session that affected one-time receipts in fiscal year 2004:

- Transfer of $15.0 million to the General Fund from the Petroleum Release Compensation Fund. These funds were transferred to the Highway Fund during the 2002 legislative session to cover an expected deficit in matching federal highway dollars. This shortfall never occurred; therefore, the dollars were moved back to the Petroleum Release Compensation Fund and then transferred to the General Fund; and,
- Acceleration of the proration of interest earnings in the Cash Flow Fund by having 90% of the estimated proration due to the General Fund for the next fiscal year transferred to the General Fund in the year in which the interest is earned. This resulted in one year (fiscal year 2004) where the General Fund received two years of earnings deposits.

The federal government provided South Dakota $4.3 million in fiscal year 2003 and $66.3 million in fiscal year 2004 in fiscal relief. Of the $66.3 million, $25.0 million was reported as receivables in fiscal year 2003. The 2004 legislature decreased General Fund expenditures in the fiscal year 2004 General Appropriations Act by $66.3 million. Therefore, the transfer from the Property Tax Reduction Fund to the General Fund was also reduced by $66.3 million in fiscal year 2004.

Action taken in the 2004 legislative session that affects ongoing receipts is the exemption of certain transportation services from the sales and use tax, which became effective in July 2004. This is projected to decrease revenues $3.0 million in fiscal year 2005.

Action taken in the 2004 legislative session that affects one-time receipts in fiscal year 2005 is the transfer of $4.6 million, or as much as is available, to the General Fund from money received from a securities global settlement. This settlement settled securities violations with large brokerage firms concerning securities analyst's conflicts of interests. In addition, in fiscal year 2005 there is also a one-time transfer of $3.0 million from the Video Lottery Operating Fund to the General Fund.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have any questions about this report, or need additional financial information, please contact the Bureau of Finance and Management, 500 East Capitol Avenue, Pierre, South Dakota 57501, (605) 773-3411.

The State's discretely presented component units, with the exception of Higher Education and the Value Added Finance Authority, issue their own separately audited financial statements. These statements may be obtained by directly contacting the Department of Legislative Audit at 427 South Chapelle, c/o 500 East Capitol, Pierre, South Dakota 57501, (605) 773-3595.

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BASIC FINANCIAL STATEMENTS

The "Basic Financial Statements" include the Government-Wide Financial Statements, the Governmental Fund Financial Statements, the Proprietary Fund Financial Statements, the Fiduciary Fund Financial Statements, the Combining Component Units Financial Statements, and the accompanying Notes to the Financial Statements. The following individual statements are included:

Government-Wide Financial Statements – Statement of Net Assets

Government-Wide Financial Statements – Statement of Activities

Balance Sheet – Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Reconciliation of the Change in Fund Balances of Governmental Funds to the Statement of Activities

Statement of Net Assets – Proprietary Funds

Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds

Statement of Cash Flows – Proprietary Funds

Statement of Fiduciary Net Assets – Fiduciary Funds

Statement of Changes in Fiduciary Net Assets – Fiduciary Funds

Combining Statement of Net Assets – Component Units

Combining Statement of Revenues, Expenses, and Changes in Fund - Net Assets Component Units

Notes to the Financial Statements

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STATE OF SOUTH DAKOTA
STATEMENT OF NET ASSETS
June 30, 2004
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Cash and Cash Equivalents	$ 558,380	$ 118,755	$ 677,135	$ 322,886
Receivables (Net)	258,586	171,778	430,364	1,076,402
Due From Component Units	1,479	44	1,523	
Due From Primary Government			0	1,067
Internal Balances	5,702	(5,702)	0	
Investments	791,847	57,099	848,946	680,440
Inventory	16,372	1,570	17,942	8,604
Deferred Fiscal Charges and Other Assets	19,459	906	20,365	13,845
Restricted Assets:				
Cash and Cash Equivalents	20,802	1,131	21,933	16,084
Investments	23,422	2,373	25,795	52,335
Other			0	28,243
Securities Lending Collateral	144,866	14,938	159,804	21,196
Capital Assets:				
Land and Other Non-depreciable Assets	625,237	354	625,591	14,184
Infrastructure (net)	1,585,727		1,585,727	
Property, Plant and Equipment (net)	252,346	2,403	254,749	269,811
Construction in Progress	186,229		186,229	43,775
Total Assets	4,490,454	365,649	4,856,103	2,548,872
Liabilities				
Accounts Payable and Other Liabilities	179,271	4,511	183,782	38,462
Due To Primary Government			0	1,523
Due To Component Units	1,067		1,067	
Accrued Interest Payable	6,243	630	6,873	11,129
Deferred Revenue	36,869	1,211	38,080	1,529
Securities Lending Collateral Liability	144,866	14,938	159,804	21,196
Noncurrent Liabilities:				
Due Within One Year	54,042	2,236	56,278	65,651
Due In More Than One Year	438,163	27,851	466,014	1,605,743
Total Liabilities	860,521	51,377	911,898	1,745,233
Net Assets				
Invested In Capital Assets, Net of Related Debt	2,572,130	2,737	2,574,867	212,300
Restricted For:				
Highways	83,430		83,430	
Agriculture and Natural Resources	13,665		13,665	
Debt Service	95,068	3,504	98,572	308,223
Unemployment Compensation		31,601	31,601	
Environmental Projects	10,000	171,447	181,447	
Revolving Loan Programs		9,405	9,405	
School Perpetuity - Expendable	1,413		1,413	
School Perpetuity - Nonexpendable	23,674		23,674	
Higher Education - Expendable			0	67,274
Higher Education - Nonexpendable			0	157,860
Other Purposes	26,530		26,530	
Unrestricted	804,023	95,578	899,601	57,982
Net Assets	$ 3,629,933	$ 314,272	$ 3,944,205	$ 803,639

The notes to the financial statements are an integral part of this statement.

STATE OF SOUTH DAKOTA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2004
(Expressed in Thousands)

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	$ 131,737	$ 124,877	$ 8,124	$
Education - Elementary, Secondary and Vocational Schools	156,652	1,776	153,163	
Education - State Support to Universities	137,028			
Health, Human and Social Services	903,644	25,104	630,044	
Law, Justice, Public Protection and Regulation	180,802	38,491	57,580	412
Agriculture and Natural Resources	96,077	53,609	25,745	
Economic Resources	37,260	1,806	15,115	
Transportation	336,259	9,177	244,741	510
Intergovernmental - Payments to School Districts	326,559			
Intergovernmental - Revenue Sharing	82,878			
Interest Expense	25,410			
Unallocated Depreciation	53			
Total Governmental Activities	2,414,359	254,840	1,134,512	922
Business-Type Activities:				
Lottery	28,034	144,091	97	
Clean Water State Revolving	1,616	3,152	6,353	
Revolving Economic Development and Initiative	1,772	1,068	249	
Drinking Water State Revolving	1,253	1,585	22,615	
Unemployment Insurance	34,644	20,626	2,437	
Second Injury	5,877	5,185	11	
State Fair	2,045	1,556	59	
Federal Surplus Property	4,306	4,034	4	
Rural Rehabilitation	1,248	321	63	
Pheasantland Industries	2,081	2,210	16	
Professional and Licensing	4,514	4,750	29	
Banking and Insurance	2,311	1,642	(6)	
Other	2,666	4,185	68	
Total Business-Type Activities	92,367	194,405	31,995	0
Total Primary Government	$ 2,506,726	$ 449,245	$ 1,166,507	$ 922
Component Units:				
Higher Education	$ 433,389	$ 217,017	$ 110,232	$ 11,906
Housing Authority	98,859	100,951		
Finance Authority	2,199	688		
CREP Program	379	336	3	
Value Added Finance Authority	4	24	43	
Total Component Units	$ 534,830	$ 319,016	$ 110,278	$ 11,906

General Revenues:	
Taxes:	
Sales Taxes	
Motor Fuel Taxes	
Contractors Excise Taxes	
Bank Card and Franchise Taxes	
Other Taxes	
Unrestricted Investment Earnings	
State Aid	
Gain on Sale of Capital Assets	
Miscellaneous	
Additions to Endowments	
Transfers	
Total General Revenues, Additions to Endowments and Transfers	
Changes in Net Assets	
Net Assets - Beginning, as restated	
Net Assets - Ending	

The notes to the financial statements are an integral part of this statement.

Net (Expenses) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ 1,264	$	$ 1,264	
(1,713)		(1,713)	
(137,028)		(137,028)	
(248,496)		(248,496)	
(84,319)		(84,319)	
(16,723)		(16,723)	
(20,339)		(20,339)	
(81,831)		(81,831)	
(326,559)		(326,559)	
(82,878)		(82,878)	
(25,410)		(25,410)	
(53)		(53)	
(1,024,085)	0	(1,024,085)	
	116,154	116,154	
	7,889	7,889	
	(455)	(455)	
	22,947	22,947	
	(11,581)	(11,581)	
	(681)	(681)	
	(430)	(430)	
	(268)	(268)	
	(864)	(864)	
	145	145	
	265	265	
	(675)	(675)	
	1,587	1,587	
0	134,033	134,033	
(1,024,085)	134,033	(890,052)	
			$ (94,234)
			2,092
			(1,511)
			(40)
			63
			(93,630)
524,705		524,705	
156,212		156,212	
60,322		60,322	
47,458		47,458	
179,866		179,866	
54,190		54,190	2,777
			137,028
398		398	
33,854		33,854	
			10,905
112,762	(112,762)		
1,169,767	(112,762)	1,057,005	150,710
145,682	21,271	166,953	57,080
3,484,251	293,001	3,777,252	746,559
$ 3,629,933	$ 314,272	$ 3,944,205	$ 803,639

STATE OF SOUTH DAKOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004
(Expressed in Thousands)

	General Fund	Transportation	Social Services Federal	Dakota Cement Trust	Education Enhancement Trust
Assets					
Cash and Cash Equivalents	$ 81,570	$ 90,079	$	$	$
Investments				238,775	357,582
Securities Lending Collateral	20,607	17,978		25,487	
Receivables From:					
Taxes (net)	79,983	11,644			
Interest and Dividends	1,571	381	3	1,888	2,736
Other Funds	32,138	622	23		
Component Units	692				
Other Governments	546	28,164	30,381		
Loans and Notes (net)		791			
Other (net)	3,229	804	3,889		1,440
Inventory	1,849	11,200	100		
Deferred Fiscal Charges and Other Assets	314		470		
Total Assets	$ 222,499	$ 161,663	$ 34,866	$ 266,150	$ 361,758
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable and Other Liabilities	$ 36,352	$ 27,862	$ 28,208	$	$
Payable To:					
Other Funds	3,624	1,249	4,726		14,323
Component Units	40		68		
Other Governments	21,948	1,634	78		
Claims, Judgments and Compensated Absences	97	24	22		
Deferred Revenue	2,260		1,293		
Securities Lending Collateral Liability	20,607	17,978		25,487	
Total Liabilities	84,928	48,747	34,395	25,487	14,323
Fund Balances:					
Reserved For:					
Encumbrances	16,922	4,717	62		
Inventories	1,849	11,200	100		
Debt Service					
Environmental Projects					
School Perpetuity					
Noncurrent Assets		621			
Indemnification					
Mine Closure					
Other					
Unreserved Designated	41,863				
Unreserved Undesignated, Reported In:					
General Fund	76,937				
Special Revenue Funds		96,378	309	240,663	347,435
Capital Project Funds					
Total Fund Balances	137,571	112,916	471	240,663	347,435
Total Liabilities and Fund Balances	$ 222,499	$ 161,663	$ 34,866	$ 266,150	$ 361,758

The notes to the financial statements are an integral part of this statement.

Nonmajor	Total
$ 354,360	$ 526,009
218,912	815,269
70,288	134,360
4,370	95,997
1,750	8,329
9,266	42,049
40	732
55,973	115,064
21,331	22,122
6,563	15,925
1,883	15,032
11,578	12,362
$ 756,314	$ 1,803,250

$ 28,955	$ 121,377
18,260	42,182
920	1,028
32,886	56,546
66	209
46,134	49,687
70,288	134,360
197,509	405,389

9,790	31,491
1,883	15,032
105,083	105,083
10,000	10,000
25,088	25,088
21,457	22,078
10,000	10,000
800	800
2,455	2,455
	41,863
	76,937
371,829	1,056,614
420	420
558,805	1,397,861
$ 756,314	$ 1,803,250

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STATE OF SOUTH DAKOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2004
(Expressed in Thousands)

Total Fund Balances - Governmental Funds		$ 1,397,861
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds. These assets consist of:		
Land and Construction in Progress	811,404	
Infrastructure	2,666,579	
Other Capital Assets	411,156	
Accumulated Depreciation	(1,261,728)	
Total Capital Assets		2,627,411
Some of the state's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		18,943
Internal service funds are used by management to charge costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		37,483
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities are:		
Bonds and Notes	(373,493)	
Accrued Interest on Bonds	(6,243)	
Capital Leases	(26,875)	
Compensated Absences	(43,838)	
Unclaimed Property	(970)	
Workers Compensation	(346)	
Total Long-Term Liabilities		(451,765)
Net Assets of Governmental Activities		$ 3,629,933

The notes to the financial statements are an integral part of this statement.

STATE OF SOUTH DAKOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2004
(Expressed in Thousands)

	General Fund	Transportation	Social Services Federal	Dakota Cement Trust	Education Enhancement Trust
Revenue:					
Taxes	$ 722,871	$ 181,935	$	$	$
Licenses, Permits and Fees	5,851	2,649			
Fines, Forfeits and Penalties	543				
Use of Money and Property	9,063	732	(7)	18,626	22,421
Sales and Services	6,822	719			
Administering Programs	19	235,479	468,345		
Tobacco Settlement					
Other Revenue	8,069	1,488	2,781		
Total Revenue	753,238	423,002	471,119	18,626	22,421
Expenditures:					
Current:					
General Government	30,044			294	528
Education	24,213				
Education - Payments to School Districts	277,714				
Education - State Support to Universities	137,028				
Health, Human and Social Services	252,095		471,247		
Law, Justice, Public Protection and Regulation	98,964	14,635			
Agriculture and Natural Resources	13,593				
Economic Resources	5,005				
Transportation	503	379,350			
State Shared Revenue Paid to Other Governments	18,745				
Capital Outlay					
Debt Service:					
Principal					
Interest					
Total Expenditures	857,904	393,985	471,247	294	528
Excess of Revenues Over (Under) Expenditures	(104,666)	29,017	(128)	18,332	21,893
Other Financing Sources (Uses):					
Transfers In	138,774	2,177			
Transfers Out	(36,036)	(1,708)		(12,000)	(14,323)
Net Other Financing Sources (Uses)	102,738	469	0	(12,000)	(14,323)
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,928)	29,486	(128)	6,332	7,570
Fund Balances at Beginning of Year, restated	139,499	83,430	599	234,331	339,865
Fund Balances at End of Year	$ 137,571	$ 112,916	$ 471	$ 240,663	$ 347,435

The notes to the financial statements are an integral part of this statement.

Nonmajor	Total
$ 63,758	$ 968,564
135,892	144,392
7,006	7,549
16,057	66,892
18,726	26,267
421,559	1,125,402
21,911	21,911
12,479	24,817
697,388	2,385,794
32,768	63,634
127,485	151,698
50,000	327,714
	137,028
180,352	903,694
81,701	195,300
83,502	97,095
32,349	37,354
11,050	390,903
64,133	82,878
1	1
16,528	16,528
24,426	24,426
704,295	2,428,253
(6,907)	(42,459)
154,677	295,628
(119,180)	(183,247)
35,497	112,381
28,590	69,922
530,215	1,327,939
$ 558,805	$ 1,397,861

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STATE OF SOUTH DAKOTA
RECONCILIATION OF THE CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2004
(Expressed in Thousands)

Net Change in Fund Balances - Total Governmental Funds		$ 69,922
Amounts reported for governmental activities in the statement of activities are different because:		
Capital Outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over the useful lives as depreciation expense. In the current period, these amounts are:		
Capital Outlay	134,623	
Depreciation Expense	(64,450)	
Excess of Capital Outlay Over Depreciation Expense		70,173
The net effect of various miscellaneous transactions involving capital assets, including sales, donations and trade-ins is to decrease net assets.		(23,435)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consist of:		
Bond Principal Retirement	16,528	
Capital Lease Payments	1,388	
Total Long-Term Debt Repayment		17,916
Internal service funds are used by management to charge costs of certain activities to individual funds. The net revenue of certain activities of internal service funds is reported in governmental activities.		7,345
Because some revenues will not be collected until several months after the state's fiscal year ends, they are not considered 'available' revenues and are deferred in the funds. Deferred revenues Increased by this amount this year.		4,463
The issuance of bonds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Bond Issuance and Refunding Costs		(382)
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Net (Increase) Decrease in Accrued Interest	(443)	
(Increase) Decrease in Compensated Absences	(505)	
(Increase) Decrease in Workers Compensation	270	
(Increase) Decrease in Unclaimed Property	358	
Total Additional Expenditures		(320)
Change in Net Assets of Governmental Activities		$ 145,682

The notes to the financial statements are an integral part of this statement.

STATE OF SOUTH DAKOTA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2004
(Expressed in Thousands)

	Business Type Activities - Enterprise Funds				Governmental Activities
	Major				
	Lottery	Clean Water State Revolving	Nonmajor	Total	Internal Service Funds
Assets					
Current Assets:					
Cash and Cash Equivalents	$ 8,899	$ 4,433	$ 105,423	$ 118,755	$ 53,173
Receivables:					
Interest and Dividends	58	1,639	985	2,682	224
Other Funds			264	264	7,100
Component Units			44	44	747
Other Governments		105	757	862	132
Loans and Notes (Net)		7,079	8,461	15,540	
Other (Net)	4,844		1,161	6,005	660
Inventory			1,570	1,570	992
Securities Lending Collateral	1,686		13,252	14,938	10,506
Deferred Fiscal Charges and Other Assets		43	62	105	1,547
Total Current Assets	15,487	13,299	131,979	160,765	75,081
Restricted Assets:					
Restricted Cash		709	422	1,131	
Restricted Investments		1,844	529	2,373	
Investments		48,901	8,198	57,099	
Capital Assets:					
Land and Other Non-depreciable Assets			354	354	
Property, Plant and Equipment	941		6,144	7,085	66,356
Accumulated Depreciation	(926)		(3,756)	(4,682)	(44,290)
Construction in Progress					62
Total Capital Assets	15	0	2,742	2,757	22,128
Other Noncurrent Assets		70,913	76,567	147,480	
Total Assets	15,502	135,666	220,437	371,605	97,209
Liabilities					
Current Liabilities:					
Accounts Payable and Other Liabilities	1,647	123	2,684	4,454	3,030
Payable To:					
Other Funds	5,791		179	5,970	1,252
Component Units				0	39
Escrow Payable	43			43	
Bonds, Notes and Leases Payable		1,090	423	1,513	2,926
Claims, Judgments and Compensated Absences	125	24	574	723	13,393
Accrued Interest Payable		418	212	630	
Deferred Revenue	99		1,112	1,211	5,777
Securities Lending Collateral Liability	1,686		13,252	14,938	10,506
Total Current Liabilities	9,391	1,655	18,436	29,482	36,923
Noncurrent Liabilities:					
Bonds, Notes and Leases Payable		17,089	10,272	27,361	4,929
Claims, Judgments and Compensated Absences	106	22	362	490	17,874
Total Liabilities	9,497	18,766	29,070	57,333	59,726
Net Assets					
Invested In Capital Assets, Net of Related Debt	15		2,722	2,737	14,273
Restricted For:					
Unemployment Compensation			31,601	31,601	
Debt Service		2,553	951	3,504	
Environmental Projects		114,347	57,100	171,447	
Revolving Loan Programs			9,405	9,405	
Unrestricted	5,990		89,588	95,578	23,210
Total Net Assets	$ 6,005	$ 116,900	$ 191,367	$ 314,272	$ 37,483

The notes to the financial statements are an integral part of this statement.

STATE OF SOUTH DAKOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2004
(Expressed in Thousands)

	Business Type Activities - Enterprise Funds				Governmental Activities
	Major				
	Lottery	Clean Water State Revolving	Nonmajor	Total	Internal Service Funds
Operating Revenue:					
Licenses, Permits and Fees	$ 1,223	$	$ 6,296	$ 7,519	$
Use of Money and Property		2,457	2,394	4,851	14
Sales and Services	142,519	695	10,961	154,175	156,640
Administering Programs		3,381	22,154	25,535	
Assessments			25,750	25,750	
Other Revenue			322	322	1,294
Total Operating Revenue	143,742	6,533	67,877	218,152	157,948
Operating Expenses:					
Personal Services and Benefits	1,330	202	5,964	7,496	25,913
Travel	128	11	735	874	538
Contractual Services	6,747	218	6,190	13,155	31,168
Supplies and Materials	608	1	4,996	5,605	13,241
Other	19	39	2,111	2,169	
Interest		1,102	512	1,614	309
Depreciation/Amortization	2	43	202	247	7,866
Lottery Prizes	19,135			19,135	
Insurance Claims			41,860	41,860	74,199
Total Operating Expenses	27,969	1,616	62,570	92,155	153,234
Operating Income (Loss)	115,773	4,917	5,307	125,997	4,714
Nonoperating Revenue (Expenses):					
Gain on Disposal of Assets				0	277
Loss on Disposal of Assets			(6)	(6)	(354)
Interest Income	97	2,972	3,391	6,460	268
Interest Expense			(15)	(15)	
Other Expense	(65)		(126)	(191)	(96)
Grant and Other Income	349		1,439	1,788	
Total Nonoperating Revenue (Expenses)	381	2,972	4,683	8,036	95
Income (Loss) Before Transfers	116,154	7,889	9,990	134,033	4,809
Transfers:					
Transfers In			7,076	7,076	2,753
Transfers Out	(115,768)	(2,623)	(1,447)	(119,838)	(217)
Net Transfers In (Out)	(115,768)	(2,623)	5,629	(112,762)	2,536
Change in Net Assets	386	5,266	15,619	21,271	7,345
Net Assets at Beginning of Year, restated	5,619	111,634	175,748	293,001	30,138
Net Assets at End of Year	$ 6,005	$ 116,900	$ 191,367	$ 314,272	$ 37,483

The notes to the financial statements are an integral part of this statement.

STATE OF SOUTH DAKOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2004
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Lottery	Clean Water State Revolving	Nonmajor	Total	
Cash Flows from Operating Activities:					
Receipts from Customers and Users	$ 144,005	$ 729	$ 41,462	$ 186,196	$ 52,561
Receipts from Interfund Services Provided			3,722	3,722	105,491
Receipts from Federal Agencies		3,381	22,198	25,579	
Receipts from Loan Payments		9,579	9,971	19,550	
Payments to Suppliers and for Benefits and Claims	(6,715)	(202)	(14,944)	(21,861)	(109,321)
Payments for Employee Services	(1,315)	(189)	(40,178)	(41,682)	(25,832)
Payments for Interfund Services Used	(855)		(1,196)	(2,051)	(11,810)
Payments for Lottery Prizes	(19,209)			(19,209)	
Payments for Loans Originated		(13,585)	(42,033)	(55,618)	
Other Receipts (Payments)	(105)		604	499	348
Net Cash Provided (Used) by Operating Activities	115,806	(287)	(20,394)	95,125	11,437
Cash Flows From Capital and Related Financing Activities:					
Purchases of Capital Assets	(7)		(291)	(298)	(2,918)
Sales of Capital Assets			(11)	(11)	990
Payments on Capital Lease Obligations					(4,241)
Net Cash Provided (Used) by Capital and Related Financing Activities	(7)	0	(302)	(309)	(6,169)
Cash Flows From Noncapital Financing Activities:					
Transfers In			7,076	7,076	573
Transfers Out	(114,795)	(2,623)	(1,447)	(118,865)	(216)
Received on Interfund Borrowing			(435)	(435)	
Payments on Bonds and Notes		(1,125)	(400)	(1,525)	
Interest Payments on Bonds and Notes		(1,030)	(518)	(1,548)	
Other Noncapital Financing Activities			850	850	
Net Cash Provided (Used) by Noncapital Financing Activities	(114,795)	(4,778)	5,126	(114,447)	357
Cash Flows From Investing Activities:					
Investment Income	108	2,912	3,519	6,539	335
Purchase of Investment Securities		(11,711)	(4,274)	(15,985)	
Proceeds from the Sale and Maturity of Investments		11,660	5,595	17,255	
Security Lending Rebate Fees	(22)		(126)	(148)	(85)
Net Cash Provided (Used) by Investing Activities	86	2,861	4,714	7,661	250
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	1,090	(2,204)	(10,856)	(11,970)	5,875
Cash and Cash Equivalents at Beginning of Year, restated	7,809	7,346	116,701	131,856	47,298
Cash and Cash Equivalents at End of Year	$ 8,899	$ 5,142	$ 105,845	$ 119,886	$ 53,173

continued on next page

STATE OF SOUTH DAKOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (continued)
For the Fiscal Year Ended June 30, 2004
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Lottery	Clean Water State Revolving	Nonmajor Enterprise Funds	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	$ 115,773	$ 4,917	$ 5,307	$ 125,997	$ 4,714
Adjustments to Reconcile Operating Income (Loss):					
Depreciation/Amortization Expense	2	43	202	247	7,866
Bad Debt Expense			991	991	
Interest Expense		1,102	512	1,614	341
Miscellaneous Nonoperating Items	306		589	895	(29)
Decrease/(Increase) in Assets:					
Accounts Receivable	202		(131)	71	(422)
Interest, Dividends & Penalties Receivable		119	(65)	54	
Loans and Notes Receivable		(6,582)	(29,022)	(35,604)	
Due From Other Funds			33	33	114
Due From Component Units			11	11	(4)
Due From Other Governments		34	(46)	(12)	31
Inventory			131	131	305
Deferred Fiscal Charges and Other Assets	10		(1)	9	34
Increase/(Decrease) in Liabilities:					
Accounts Payable	15	67	769	851	(164)
Accrued Liabilities	(3)	2	1		50
Compensated Absences Payable	19	11	3	33	(30)
Due To Other Funds	(8)		24	16	(278)
Due to Component Units			(2)	(2)	5
Deferred Revenue	(99)		118	19	858
Escrow Payable	(7)			(7)	
Policy Claim Liabilities					(1,954)
Other Liabilities	(404)		182	(222)	
Net Cash Provided (Used) by Operating Activities	$ 115,806	$ (287)	$ (20,394)	$ 95,125	$ 11,437
Noncash Investing, Capital and Financing Activities:					
Gain (Loss) on Disposal of Fixed Assets			6	6	(77)
Capital Lease Obligations Entered Into					(5,761)
Transfers In (Out) of Fixed Assets					2,178

The notes to the financial statements are an integral part of this statement.

STATE OF SOUTH DAKOTA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2004
(Expressed in Thousands)

	Pension Trust Funds	Private Purpose Trust Funds	Agency Funds
Assets			
Cash and Cash Equivalents	$ 27,275	$ 18,817	$ 23,454
Receivables:			
Employer	2,580		
Employee	11,110		
Benefits	64		
Unsettled Investment Sales	38,649		
Taxes Receivable			24,705
Due From Other Funds		134	
Due From Other Governments			552
Investment Income	18,042	581	38
Other		587	99
Total Receivables	70,445	1,302	25,394
Investments, at Fair Value:			
Fixed Income	2,247,702		
Equities	2,918,999		
Real Estate	250,030		
Private Equity	242,321		
Pooled Investment Funds		103,666	
Money Market		2	
Total Investments	5,659,052	103,668	0
Securities Lending Collateral	315,848	18,878	
Properties, at Cost	75	11,276	
Accumulated Depreciation	(35)		
Other Assets	59	20	
Total Assets	6,072,719	153,961	$ 48,848
Liabilities			
Payables:			
Accounts Payable and Other Liabilities	2,560	59	$ 8,404
Due To Other Funds	35	108	
Due To Other Governments			40,444
Compensated Absences Payable	210		
Securities Sold, But Not Yet Purchased, at Fair Value	164,424		
Unsettled Investment Purchases	34,102		
Securities Lending Collateral Liability	315,848	18,878	
Total Liabilities	517,179	19,045	$ 48,848
Net Assets			
Held in Trust For:			
Pension Benefits	5,555,540		
Individuals and Other Governments		134,916	
Total Net Assets	$ 5,555,540	$ 134,916	

The notes to the financial statements are an integral part of this statement.

STATE OF SOUTH DAKOTA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2004
(Expressed in Thousands)

	Pension Trust Funds	Private Purpose Trust Funds
Additions		
Contributions:		
Employee	$ 104,656	$
Employer	74,854	
From Participants		418
From Clients and Inmates		5,593
Total Contributions	179,510	6,011
Investment Income:		
From Investing Activities		
Net Increase (Decrease) in Fair Value of Investments	641,030	3,280
Interest	75,136	4,572
Dividends	58,668	773
Real Estate	15,595	
Investment Activity Income	790,429	8,625
Less Investment Activity Expenses	(9,127)	
Net Investment Activity Income	781,302	8,625
From Security Lending Activities		
Security Lending Income	2,668	179
Security Lending Expenses	(1,719)	(145)
Net Security Lending Activity Income	949	34
Net Investment Income (Loss)	782,251	8,659
Escheated Property		30
Gain from Sale of Assets		784
Miscellaneous Income		3,932
Transfers From Other Funds		23
Total Additions	961,761	19,439
Deductions		
Benefits	200,680	
Refunds of Contributions	21,415	
Distribution to School Districts		6,649
Payments made for Trust Purposes		6,312
Administrative Expenses	2,548	3
Total Deductions	224,643	12,964
Net Increase (Decrease)	737,118	6,475
Net Assets Held In Trust Beginning of Year	4,818,422	128,441
End of Year	$ 5,555,540	$ 134,916

The notes to the financial statements are an integral part of this statement.

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2004
(Expressed in Thousands)

	Business-Type Activities					
	Housing Authority	Finance Authority	CREP Program	Value Added Finance Authority	Higher Education	Total
Assets						
Current Assets:						
Cash and Cash Equivalents	$ 214,026	$ 4,850	$ 895	$ 186	$ 102,929	$ 322,886
Receivables:						
Interest and Dividends	8,342	65	209	2	1,677	10,295
Primary Government					1,067	1,067
Other Governments					7,307	7,307
Loans and Notes (Net)	25,043	935	521	88	7,236	33,823
Other (Net)			11		7,514	7,525
Investments	40,845	5,206			10,461	56,512
Inventory	2,267				6,337	8,604
Securities Lending Collateral					21,196	21,196
Deferred Fiscal Charges and Other Assets			83		2,071	2,154
Total Current Assets	290,523	11,056	1,719	276	167,795	471,369
Investments	475,759	1,572			146,597	623,928
Restricted Assets:						
Cash and Cash Equivalents		48			16,036	16,084
Investments		4,952			47,383	52,335
Other					28,243	28,243
Capital Assets:						
Land and Other Non-depreciable Assets					14,184	14,184
Property, Plant and Equipment	3,430				547,259	550,689
Accumulated Depreciation	(2,122)				(278,756)	(280,878)
Construction in Progress					43,775	43,775
Total Capital Assets	1,308				326,462	327,770
Other Noncurrent Assets (net)	989,697	15,606	3,199	562	20,079	1,029,143
Total Assets	1,757,287	33,234	4,918	838	752,595	2,548,872
Liabilities						
Current Liabilities:						
Accounts Payable and Other Liabilities	4,011	12	4		10,772	14,799
Payable To:						
Primary Government	37	692			794	1,523
Other Governments		90		611		701
Escrow Payable	22,011					22,011
Bonds, Notes and Leases Payable	27,165	740	860		7,902	36,667
Claims, Judgments and Compensated Absences	110				9,324	9,434
Accrued Interest Payable	8,870	71	43		2,145	11,129
Deferred Revenue			53		1,476	1,529
Securities Lending Collateral Liability					21,196	21,196
Other Current Liabilities		5,812			13,037	18,849
Total Current Liabilities	62,204	7,417	960	611	66,646	137,838
Noncurrent Liabilities:						
Bonds, Notes and Leases Payable	1,392,957	14,675	3,205		124,506	1,535,343
Claims, Judgments and Compensated Absences	244				21,960	22,204
Federal Capital Contribution Refundable Advance					32,458	32,458
Other Noncurrent Liabilities		3,750			13,640	17,390
Total Liabilities	1,455,405	25,842	4,165	611	259,210	1,745,233
Net Assets						
Invested In Capital Assets, Net of Related Debt	1,308				210,992	212,300
Restricted For:						
Debt Service	300,574	5,000			2,649	308,223
Higher Education - Expendable					67,274	67,274
Higher Education - Nonexpendable					157,860	157,860
Unrestricted		2,392	753	227	54,610	57,982
Total Net Assets	$ 301,882	$ 7,392	$ 753	$ 227	$ 493,385	$ 803,639

The notes to the financial statements are an integral part of this statement.

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
COMPONENT UNITS
For the Fiscal Year Ended June 30, 2004
(Expressed in Thousands)

	Business-Type Activities					
	Housing Authority	Finance Authority	CREP Program	Value Added Finance Authority	Higher Education	Total
Operating Revenue:						
Tuition and Fees (net of discounts and allowances for scholarships of $13,982)	$	$	$	$	$ 105,268	$ 105,268
Use of Money and Property	92,366	688	336	23		93,413
Sales and Services (net of discounts and allowances for scholarships of $5,376)					63,312	63,312
Administering Programs					87,026	87,026
Other Revenue	8,585			1	48,437	57,023
Total Operating Revenue	100,951	688	336	24	304,043	406,042
Operating Expenses:						
Personal Services and Benefits	2,529		43		250,881	253,453
Travel	249				9,948	10,197
Contractual Services	4,676	46	46		58,236	63,004
Supplies and Materials	139				48,867	49,006
Grants and Subsidies	25,854	1,000			18,371	45,225
Other	611	692			9,409	10,712
Interest	60,352	461	274		41	61,128
Depreciation/Amortization	4,449		16		20,046	24,511
Total Operating Expenses	98,859	2,199	379	0	415,799	517,236
Operating Income (Loss)	2,092	(1,511)	(43)	24	(111,756)	(111,194)
Nonoperating Revenue (Expenses):						
Loss on Disposal of Assets					(1,180)	(1,180)
Interest Income			4	1	2,772	2,777
Interest Expense				(4)	(1,300)	(1,304)
Other Expense					(15,110)	(15,110)
State Aid from Primary Government					137,028	137,028
Federal Appropriation					6,901	6,901
Grant and Other Income			3	43	16,305	16,351
Total Nonoperating Revenue (Expenses)	0	0	7	40	145,416	145,463
Income (Loss) Before Capital Grants and Additions to Endowments	2,092	(1,511)	(36)	64	33,660	34,269
Capital Grants					11,906	11,906
Additions to Endowments					10,905	10,905
Change in Net Assets	2,092	(1,511)	(36)	64	56,471	57,080
Net Assets At Beginning of Year, restated	299,790	8,903	789	163	436,914	746,559
Net Assets at End of Year	$ 301,882	$ 7,392	$ 753	$ 227	$ 493,385	$ 803,639

The notes to the financial statements are an integral part of this statement.

SouthDakota
GREAT FACES. GREAT PLACES.

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

B. Reporting Entity

For financial reporting purposes, the State of South Dakota reporting entity includes the primary government and its component units. The primary government consists of state departments, bureaus, boards and commissions. Component units are legally separate governmental organizations for which the State is considered to be financially accountable and other organizations for which the nature of their relationship is such that exclusion would cause the State's financial statements to be misleading or incomplete.

Blended Component Units – Blended component units are legally separate entities that are, in substance, part of the State's primary government. The Building Authority, South Dakota Conservancy District, Cement Plant Commission and the Education Enhancement Funding Corporation are considered to be blended component units.

Discretely Presented Component Units – Discretely presented component units are legally separate organizations that are either financially accountable to the State, or their exclusion would cause the State's financial statements to be misleading or incomplete. Discretely presented component units are reported in separate columns or rows in the government-wide financial statements to emphasize that they are legally separate from the State.

The following entities are reported as discretely presented component units:

Conservation Reserve Enhancement Program (CREP)
South Dakota Finance Authority
South Dakota Housing Authority
Value Added Finance Authority
Higher Education

Related Organizations – The Health and Educational Facilities Authority is excluded from the reporting entity because the State's accountability does not extend beyond appointing a voting majority of the organization's board members.

Separately issued financial statements of the South Dakota Building Authority, Conservation Reserve Enhancement Program, South Dakota Finance Authority, and South Dakota Housing Authority are available from the Department of Legislative Audit.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements include the Statement of Net Assets and Statement of Activities. The Statement of Net Assets and Statement of Activities report all nonfiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities are generally supported by taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The focus of the government-wide financial statements is the primary government. A separate column is presented for all discretely presented component units.

The Statement of Net Assets presents the reporting entity's nonfiduciary assets and liabilities, with the difference reported as net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include:

1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function; and, 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included as program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements, with nonmajor funds being combined into a single column.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the State receives value without directly giving equal value in exchange, include taxes, grants, and donations. Tax revenue is recognized in the fiscal year in which the related sales, wages, or activity being taxed occurred. Revenue from grants and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period, or soon enough thereafter to pay liabilities of the current period. Sales tax, motor fuel taxes, bank card taxes, grant revenue, investment income, and charges for goods and services are all considered to be susceptible to accrual, if collected within 60 days of the end of the current fiscal year. All other revenue is considered to be measurable and available only when cash is received.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, capital leases, and claims and judgments are recorded only when payment is due and payable.

Proprietary, Fiduciary, and Similar Component Units Financial Statements

The financial statements of the proprietary funds, fiduciary funds, and similar component units are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements described above. Proprietary funds include both enterprise and internal service fund types.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition, such as subsidies and investment earnings are reported as nonoperating.

The State's proprietary funds follow all GASB pronouncements and those Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Financial Statement Presentation

The State reports the following major governmental funds:

The General Fund is the State's primary operating fund. It accounts for all financial resources, except those required to be accounted for in another fund.

The Transportation Fund accounts for dedicated state tax revenue for the construction, maintenance, and supervision of state highways and bridges and federal grants received by the Department of Transportation.

The Social Services Fund accounts for federal grants received by the Department of Social Services to fund social welfare programs.

The Dakota Cement Trust Fund was created with the proceeds from the sale of the State Cement Plant. Income from the fund is used to fund general state government and public school districts.

The Education Enhancement Trust Fund accounts for revenue from the tobacco settlement and securitization of future tobacco revenue. Income from the fund is used to fund education enhancement programs.

The State reports the following major proprietary funds:

The Clean Water State Revolving Fund is used to provide loans to local governments for wastewater, storm sewer, and nonpoint source pollution control projects.

The State Lottery Operating Fund accounts for the operations of the State lottery.

In addition, the State reports the following fund types:

Governmental Funds:

Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specific purposes. Special revenue funds account for federal grant programs, taxes with distributions defined by the State Constitution or State laws and other resources restricted as to purpose.

Debt Service Funds account for the accumulation of resources for the retirement of long-term debt principal and interest.

The Capital Projects Fund administered by the South Dakota Building Authority accounts for resources used for the acquisition or construction of major capital facilities, other than those financed by proprietary, fiduciary, or component units funds.

The Permanent Fund administered by the Department of School and Public Lands accounts for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs.

Proprietary Funds:

Enterprise Funds report activities for which a fee is charged to external users for goods or services. This fund type is also used when the activity is financed with debt that is secured by a pledge of the net revenues from the fees.

Internal Service Funds report activities that provide goods or services to other funds, departments, or agencies of the primary government and its component units or to other governments, on a cost-reimbursement basis. In the government-wide financial statements, internal service funds activity is included in governmental activities.

Fiduciary Funds:

Pension Funds account for resources that are required to be held in trust for the members and beneficiaries of the State's defined benefit pension plan and the State Cement Plant defined benefit plan.

Private Purpose Trust Funds account for resources of all other trust arrangements in which principal and income benefit individuals, private organizations or other governments.

Agency Funds report assets and liabilities of resources held for temporary investment and remittance of the resources to individuals, private organizations, or other governments.

E. Budgetary Accounting

Agencies and departments submit budget requests to the Bureau of Finance and Management. The commissioner approves the bureau's budget recommendation that is presented to the Governor for his consideration. The Governor's decisions are presented to the legislature in the Governor's budget book.

The financial plan for each fiscal year is adopted by the legislature by the passage of a general appropriations act, special appropriations acts, and deferred maintenance appropriations. The formal budget approved by the legislature does not include budgeting for revenues and other financing sources/uses.

The general appropriations act includes only appropriations for ordinary current and capital expenses of the executive, legislative, and judicial branches of the State. State law classifies appropriations into general, federal, and other fund budget classifications. The budget is controlled at the program level for personal services and operating expenses. Detailed appropriation information at this level is presented in the Available Funds Report that is available at the Bureau of Finance and Management.

The State's annual budget is prepared on the cash basis of accounting. Encumbrance accounting is utilized to reserve a portion of the budget to future periods for payment of purchase orders, contracts and other commitments. Encumbrances outstanding at year-end are reported as reservations of fund balances, since they do not constitute expenditures or liabilities. Encumbrances at June 30, 2004 totaled $31,491,000.

F. Assets, Liabilities, and Net Assets/Fund Balance

Cash and Cash Equivalents and Investments

Cash includes cash on hand, cash in local banks, and cash in the State Treasury. Cash equivalents are reported at fair value. Cash equivalents include short-term investments with original maturities of three months or less. Cash balances of most state funds are pooled and invested by the State Investment Officer. Investment income is allocated to participating funds at year-end.

Investments, as reported on the balance sheet, represent all long-term investments not considered cash equivalents. Investments include corporate stocks, bonds, convertible debt, U.S. government bonds, repurchase agreements, annuity contracts, investment contracts, international funds, and real estate. Investments are reported at fair value.

Receivables

Receivables in the governmental and business-type activities consist mainly of amounts due from component units, other governments, loans and customers.

Inventories

Inventories reported in the governmental fund types are reported at cost using the moving average cost method. Proprietary fund type inventories are valued at the lower of cost or market, using the moving average cost method. Inventories reported in the Higher Education component unit discrete presentation are reported at cost using the FIFO method, except livestock inventories, which are reported at June 30, 2004 market price. Inventories are expensed using the consumption method.

Food stamps and federal commodities on hand are reported as inventories, offset by deferred revenue. Food stamp inventory is reported at face value and commodities are reported at fair value established by the federal government at the date received. At June 30, 2004, the food stamp inventory was reported in the amount of $100,890 and the commodities inventory was reported in the amount of $348,000.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at cost, or estimated historical cost, if original cost records are not available. Donated property, plant, and equipment are valued at fair market value at the date of donation. Property, plant, and equipment acquired through capital leases are capitalized at fair market value at the inception of the lease.

All land is capitalized regardless of cost. Land improvements are capitalized when the cost of the improvement is $50,000 or more. Buildings and building improvements are capitalized when the cost is $100,000 or more. Equipment is capitalized when the cost of individual items is $5,000 or more. Infrastructure assets are capitalized when the cost of the assets is $1,000,000 or more for governmental funds and fiduciary funds, and $50,000 or more for proprietary funds and component units. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not capitalized.

Depreciable capital assets of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Land Improvements	20-30
Buildings and Improvements	15-50
Infrastructure	20-99
Equipment	3-17

The State owns works of art and historical treasures that have not been capitalized and depreciated because the assets cannot be reasonably valued and/or the assets have inexhaustible useful lives. Works of art and historical treasures include items such as statues, monuments, historical documents, paintings, artifacts, etc. Higher Education, a business type activity discretely presented component unit, adopted the State's policy on capitalizing historical treasurers and collections. The exceptions to this policy are the Memorial Art Center Collection at the South Dakota State University and the Oscar Howe paintings collection at the University of South Dakota, which were capitalized as of June 30, 1999. The collections are valued at the historical cost or estimated fair market value at the time of donation. The reported capitalized value of these collections was $7,505,820 and $379,085, respectively, as of June 30, 2004. All proceeds from the sale of items within these collections will be used to acquire other items for the collections.

Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the bonds outstanding method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Assets/Fund Balances

The difference between assets and liabilities is "Net Assets" on the government-wide, proprietary, and fiduciary funds financial statements and "Fund Balance" on the governmental fund financial statements. Net assets are reported in three categories:

Invested in capital assets, net of related debt is a category reported in the government-wide Statement of Net Assets and consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets consist of assets that have externally imposed constraints placed on them by either creditors, grantors, contributors, laws or regulations of other governments, or constraints imposed by law through constitutional provisions.

Unrestricted net assets consist of assets that do not meet the definition of the two preceding categories.

When both restricted funds and unrestricted funds are eligible for use in payment of expenditures, the restricted funds will be utilized first.

Reservations of fund balances of governmental funds represent amounts that are not available for appropriation. Examples of fund balance reservations include reserve for encumbrances and reserve for debt service.

Designations of fund balance represent tentative management plans that are subject to change. The 1991 South Dakota Legislature established a budget reserve funded from any unobligated cash in the General Fund. The maximum balance of

the budget reserve is 10% of the prior year's General Fund appropriation. The balance in the budget reserve at June 30, 2004 was $41,863,000 and is reported under the unreserved designated account in the General Fund.

G. Compensated Absences

All full-time and permanent part-time employees earn annual leave and sick leave. Employees earn fifteen days annual leave per year that can be accumulated to thirty days, except for employees with more than fifteen years of employment, who earn twenty days annual leave per year that can be accumulated to forty days. Upon termination, employees receive payment for their accumulated annual leave. Employees earn fourteen days sick leave per year. Unless dismissed for cause, employees who terminate after seven years of continuous employment, receive payment for one-fourth of their accumulated sick leave balance, not to exceed four hundred eighty hours.

A liability has been recorded in the government-wide and funds financial statements for compensated absences in accordance with GASB statements.

H. Lottery Security Deposits

State law requires video lottery operators to furnish security to the Lottery. Security may be in the form of a surety bond, deposit in cash, an irrevocable letter of credit, or a certificate of deposit issued by a South Dakota financial institution with the Lottery endorsed on it as a payee. As of June 30, 2004, the amount of certificate of deposits being held by the Lottery was $368,296 and is included in cash and cash equivalents on the balance sheet. The amount of $5,992,100 was in the form of surety bonds, or irrevocable letters of credit and is not reported on the balance sheet.

I. Interfund Activity and Balances

Interfund activity, as a general rule, has been eliminated from the government-wide financial statements. An exception to this rule is activities between funds reported as governmental activities and funds reported as business-type activities (examples include the transfer of profits from the Lottery Fund to the General Fund). Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets (such as goods or cash) without equivalent flows of assets in return, or a requirement for repayment. In addition, transfers are recorded when a fund receiving revenue provides it to the fund which expends the resources. An example is securities taxes collected by the Department of Revenue and Regulation which are deposited into a special revenue fund but are transferred to and expended by the General Fund.

Interfund balances-interfund receivables and payables have been eliminated from the Statement of Net Assets.

2. ACCOUNTING CHANGES, RESTATEMENTS, AND RECLASSIFICATIONS

Implementation of Accounting Pronouncements

For the reporting period ending June 30, 2004, the State implemented the following accounting standards issued by GASB:

Statement No. 39, Determining Whether Certain Organizations Are Component Units,

Statement No 40, Deposit and Investment Risk Disclosures.

Restatements-Primary Government

The Investment Council Fund was reclassified from an internal service fund to a special revenue fund in fiscal year 2004. This resulted in the beginning fund balance in special revenue funds to be increased by $777,000 and the beginning net assets balance for the total internal service funds to be decreased by $340,000.

The beginning net assets balance for the Workers Compensation Fund, reported as an internal service fund, was increased by $1,761,000 for the restatement of claims liabilities.

The beginning net assets balance for the Revolving Economic Development and Initiative Fund, reported as an enterprise fund, was increased by $326,000, for the restatement of assets.

The beginning net assets balance reported for governmental activities was increased by $12,160,000 as follows: $1,193,000 for the restatement on land and $10,967,000 for the restatement of receivables relating to the securitization of the tobacco settlement agreement.

Restatements-Component Units

The beginning net assets balance reported for Higher Education was increased $184,761,000 for the implementation of GASB Statement No. 39, increased $1,261,000 for prior year's accumulated depreciation, and decreased $1,868,000 for various restatements to assets and liabilities.

The beginning net assets balance reported for Finance Authority was decreased by $37,000 for the restatement of liabilities.

Recently Issued Pronouncements

In November 2003, the GASB issued Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries. The statement establishes accounting and financial reporting standards for impairment of capital assets. The requirements of this GASB Statement No. 42 are effective the State's fiscal year 2006 financial statements.

In April 2004, the GASB issued Statement No.43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). The statement establishes uniform financial reporting standards for OPEB plans. The requirements of this GASB Statement No, 43 are effective for the State's fiscal year 2007 financial statements.

In May 2004, the GASB issued Statement No. 44, Economic Condition Reporting: The Statistical Section. The statement changes the requirements for the statistical section of a government's comprehensive annual financial report. The requirements of this GASB Statement No. 44 are effective for State's fiscal year 2006 financial statements.

Management has not yet determined the impact that the three new GASB statements will have on the State's financial statements.

3. CASH, DEPOSITS, AND INVESTMENTS

South Dakota Codified Laws (SDCL) and administrative rules authorize the types of deposits and investments. Most State public funds are invested in the Cash Flow Portfolio using the pooled deposit and investment concept. This concept allows for the deposit and investment of aggregate idle fund monies, while preserving the integrity of fund cash balances of each state fund.

Negative cash balances in funds participating in the Cash Flow Portfolio are reclassified at year-end as interfund payables. The cash and cash equivalents balance in the General Fund was reduced by $15,582,532 for deficit cash balances that existed in various state funds at June 30, 2004, and is reported as an interfund receivable.

Certain funds and component units have statutory authority to make deposits and investments in specific types of securities, which may be more or less restrictive than the general authority covering the Cash Flow Portfolio. Additionally, bond provisions may require restrictions on types of investments. The State was in compliance with legal requirements governing deposit and investing activities.

A. Primary Government

Investments of the Primary Government are grouped into four categories, based upon investment objectives and risk. The first category is the Cash Flow Portfolio. This category represents the pooled public funds of the Primary Government (comprising 86.4% of the Cash Flow Portfolio) and Higher Education (comprising 13.6% of the Cash Flow Portfolio). Higher Education is a component unit and has deposits and investments in the Cash Flow Portfolio. Because of the pooled deposit and investment concept of the Cash Flow Portfolio, Higher Education's share of the portfolio cannot be broken out separately for risk disclosure purposes. For risk disclosure purposes, their share of the Cash Flow Portfolio is included in the Primary Government. The second category is the Retirement Portfolios. This category represents the investments of the South Dakota Retirement System and the Cement Plant Retirement Fund. The third category is the Trust Portfolios. This category includes the portfolios of School and Public Lands, Dakota Cement Trust Fund, Education Enhancement Trust Fund and Health Care Trust Fund. The fourth category is Other Funds. This category represents funds that are not managed by the South Dakota Investment Council and includes Educational Enhancement Funding Corporation, Clean Water State Revolving Fund, Drinking Water State Revolving Fund, Cement Commission Fund, Building Authority CREP Program, Science and Technology Authority and the Vocational Education Program.

Deposits

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the State of South Dakota's deposits may not be returned to it. Deposits in excess of depository insurance must be 100% collateralized. Collateral is valued at the lower of cost or market as reported in the quarterly call reports prepared by the qualified public depositories pursuant to SDCL 4-6A-7. Collateral is required to be segregated by each depository as approved by the South Dakota Public Deposit Protection Commission. Collateral may not be held in any safety deposit vault owned or controlled either directly or indirectly by the pledging financial institution but must be deposited for safekeeping in a financial institution that is a member of the Federal Reserve. At June 30, 2004, pledged collateral for 3 depositories did not equal at least 100 % of the total public deposits in excess of depository insurance. As a result, $172,220 of the Cash Flow Portfolio's certificates of deposit was exposed to custodial credit.

At June 30, 2004, the Retirement Portfolios had bank balances in foreign currencies in various foreign countries. These deposits are not collateralized or covered by depository insurance. As a result, the Retirement Portfolios were exposed to custodial credit risk of $24,703,033.

At June 30, 2004, the Other Funds had bank balances that are not collateralized or covered by depository insurance. As a result, the Other Funds were exposed to custodial credit risk of $826,857.

Investments

Custodial Credit Risk. At June 30, 2004, the following investments were uninsured and unregistered, with the securities held by the counterparty, or by its trust department or agent, but not in South Dakota's name (expressed in thousands):

	Cash Flow Portfolio	Retirement Portfolios	Trust Portfolios	Other Funds
Mutual Funds	$ 165,732	$ 618,813	$ 124,778	$
Outside Money Managers		727,407	7,322	92,968
Total Investments	165,732	1,346,220	132,100	92,968
Security Lending Collateral	156,082	311,589	48,056	
Total	$ 321,814	$ 1,657,809	$ 180,156	$ 92,968

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. South Dakota Investment Council (SDIC) policy limits or establishes ranges for the durations of the fixed income portfolios held by the various funds. The Cash Flow Portfolio policy limits average portfolio duration to 2.88 years, and no holding's maturity can exceed 5 years. The Retirement Portfolios fixed income portfolio duration must fall between 70% and 130% of the duration of the Citigroup Broad Investment Grade (BIG) Index. No formal interest rate risk policy exists for the fixed income portfolios of the Trust Funds or the Other Funds. The modified durations of the various funds are listed in the following table (expressed in thousands):

	Cash Flow Portfolio		Retirement Portfolios		Trust Portfolios		Other Funds	
Investment Type	*Fair Value*	*Mod. Dur.*	*Fair Value*	*Mod. Dur.*	*Fair Value*	*Mod. Dur.*	*Fair Value*	*Mod. Dur.*
U.S. Treasuries	$ 109,024	0.98	$ 66,594	12.15	$ 6,796	11.28	$ 9,076	0.45
U.S. Treasury bills			38,175	0.21				
U.S. Treasury strips			72,054	16.73				
U.S. Treasury inflation protected securities					43,481	3.50		
U.S. agencies	115,539	1.95	124,736	8.06	31,348	6.81		
U.S. agency discount notes	24,988	0.04	59,974	0.04			999	0.08
U.S. Government-backed Loans					4,893	11.45		
Investment grade corporate	317,345	2.39	354,013	4.39	77,012	4.62		
High-yield corporates			372,797	3.23	82,798	4.00		
Mortgage-backed securities			281,393	4.11	114,827	4.37		
Mutual funds	165,732	0.00	582,270	0.00	67,311	0.00		
Municipal bonds					115,976	5.28		
Commercial paper	39,971	0.06	104,954	0.04				
Bank debt			17,878	1.00				
Investment agreements							82,893	14.40
Total	$ 772,599		$ 2,074,838		$ 544,442		$ 92,968	
Portfolio modified duration		1.42		3.36		4.22		12.88

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the State of South Dakota. SDIC policy establishes a percentage range and a normal allocation to various credit risk categories. The Cash Flow Portfolio can invest 4% of the portfolio into each corporate security rated Aaa or Aa, 2% in A-rated, 1% in Baa1 or Baa2, and .5% in individual holdings of corporate securities rating Baa3. The maximum overweight of Baa3 rated holdings versus the benchmark is 5% of the Cash Flow portfolio. The SDIC sets the investment policy annually for the Trust Portfolios and the Retirement Portfolios. This policy establishes the average percentage invested in each asset category and the fund allocation range that each asset category can vary during the fiscal year. No formal credit risk policy exists for the Other Funds. As of June 30, 2004, the portfolios held the following investments, excluding those issued by or explicitly guaranteed by the U.S. Government, which are not considered to have credit risk. The investments are grouped as rated by Moody's Investors Service (expressed in thousands):

	Cash Flow Portfolio	Retirement Portfolios	Trust Portfolios	Other Funds
Moody's Rating	***Fair Value***	***Fair Value***	***Fair Value***	***Fair Value***
Aaa	$ 356,527	$ 984,917	$ 246,115	$ 19,444
Aa	115,389	97,840	55,792	64,447
A	143,129	78,468	32,570	
Baa	8,559	141,377	21,380	
Ba		241,650	44,280	
B		75,880	32,845	
Caa		30,242		
Ca		6,364		
C		1,125		
P-1	39,971	104,954		
Unrated		84,293	5,943	71,644
Total	$ 663,575	$ 1,847,110	$ 438,925	$ 155,535

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Retirement Portfolios' exposure to foreign currency risk derives from its positions in foreign currency and foreign currency-denominated equity investments. The Retirement Portfolios do not hedge foreign currency back to U.S. dollars (to match the unhedged benchmark) but do allow hedging under certain circumstances when deemed appropriate by the State Investment Officer and portfolio manager. The Retirement Portfolios' exposure to foreign currency risk at June 30, 2004, is as follows (in U.S. dollar fair value, expressed in thousands):

Currency	Equities U.S.Dollar Fair Value	Fixed Income U.S. Dollar Fair Value	Cash U.S Dollar Fair Value	Total
Argentine Peso	$ 405	$	$ 46	$ 451
Australian Dollar	4,782		5	4,787
Brazilian Real	6,325			6,325
British Pound	250,562	1,374	10,735	262,671
Canadian Dollar	13,985		115	14,100
Chilean Peso	213			213
Czech Koruna	229			229
Danish Kroner	11,494		459	11,953
Euro	257,569	18,091	7,199	282,859
Hong Kong Dollar	1,872			1,872
Hungarian Forint	932			932
Indian Rupee	424			424
Indonesian Rupiah	3,087			3,087
Israeli Shekel	3,334			3,334
Japanese Yen	182,294		2,128	184,422
Korean Won	22,591			22,591
Malaysian Ringgit	5,560			5,560
Mexican Peso	4,917		1	4,918
Norwegian Krone	10,049			10,049
Philippines Peso	1,309			1,309
Polish Zloty	1,889			1,889
Singapore Dollar	8,428			8,428
South African Rand	9,086			9,086
Swedish Krona	12,521		3,937	16,458
Swiss Franc	92,783		76	92,859
Taiwan Dollar	7,821		3	7,824
Thai Baht	3,600			3,600
Turkish Lira	3,828			3,828
Total Fair Value	$ 921,889	$ 19,465	$ 24,704	$ 966,058

Concentration of Credit Risk. Concentration of credit risk is the risk of loss that maybe attributed to the magnitude of a government's investment in a single issue. The SDIC does not have guidelines to limit its investments in any particular investment.

Securities Lending Transactions

State statutes and the SDIC policies permit the use of investments for securities lending transactions. These transactions involve the lending of securities to broker-dealers and other entities for collateral in the form of cash or securities, with the simultaneous agreement to return the collateral for the same securities in the future. The securities custodian is an agent in lending the domestic and international securities for 100% cash collateral, 102% U.S. government-backed securities and short-term money markets, 105% asset-backed securities and 110% corporate securities of the loaned securities' fair value. The cash collateral is reinvested by the lending agent in accordance with contractual investment guidelines that are designed to ensure the safety of principal and obtain a moderate rate of return. The investment guidelines include very high credit quality standards and also allow for a portion of the collateral investments to be invested with short-term securities. The earnings generated from the collateral investments, less the amount of rebates paid to dealers, result in gross earnings from lending activities, which is then split on a percentage basis with the lending agent.

At year-end, no credit risk exposure to borrowers existed because the collateral received from the borrowers exceeded the amounts the borrowers owed. The contract with the lending agent requires them to indemnify, if the borrowers fail to return the loaned securities (and the collateral is inadequate to replace the securities lent). Either the SDIC, or the borrower, can terminate the securities loans on demand, although the average term of the loans is one business day. The term to maturity of the securities loans is matched with the term to maturity of the investments of the cash collateral by investing in a variety of short-term investments.

The ability to pledge or sell collateral securities can be made without borrower default. In addition, no restrictions on the amount of the loans exist.

Derivative Financial Instruments in Retirement Funds

South Dakota Retirement System. Derivatives are generally defined as contracts whose value depends on, or derives from, the value of an underlying asset, reference rate or index. The South Dakota Retirement System (SDRS) is exposed to a variety of derivative products through the investment management of the SDIC and their outside managers.

The SDIC purchases and sells financial and interest rate futures as a means of adjusting the SDRS portfolio mix and as a lower transaction cost substitute for transactions that would otherwise occur in the underlying portfolios. Futures contracts outstanding at June 30, 2004 were as follows (expressed in thousands):

	Open Positions	Contracts	Fair Value
S&P 500 Index due September 2004	Long	2,062	$ 588,103

A futures contract is a contract to buy or sell units of an index or financial instrument at a specified future date at a price agreed upon when the contract is originated. Upon entering into such a contract, SDRS pledges to the broker cash or U.S. government securities equal to the minimum "initial margin" requirement of the futures exchange. Additionally, SDRS receives or pays a daily fluctuation in value of the contract. The use of futures contracts is subject to various market risks. The maximum amount at risk from the purchase (long position) of a futures contract is the contract value. The amount at risk from the sale (short position) of a futures contract depends upon the amount that the contract raises in value. Although short positions have theoretically no maximum risk, the SDRS short positions are hedged against the underlying portfolio to limit the exposure. Each S&P 500 contract is defined as 250 times the price of the S&P 500 index. Each note and bond contract is defined as $100,000 par value of a 6% U.S. Treasury security adjusted for duration.

The hedging guidelines of the SDRS arbitrage portfolios managed by the SDIC provide that stock and other noncash considerations to be received may be hedged through the use of options, short sales, or when-and-if issued sales. The two arbitrage portfolios had short sales valued at $164,424,053 as of June 30, 2004. A short sale involves the sale of securities not yet owned, but borrowed through a broker to be later repurchased to cover the loan. The arbitrage portfolios use the short sales to hedge the disparities between the existing price of a security and the present value of considerations to be received as a result of restructuring or merger activity.

The SDIC also enters into foreign exchange forward contracts to hedge foreign currency transactions. These contracts are purchased to reduce the impact of foreign currency fluctuations. The SDIC does not engage in foreign currency speculation.

The contracts do not subject SDRS to risk due to exchange rate movements as gains and losses on the contracts offset gains and losses on the transactions being hedged. SDRS' theoretical risk in these transactions is the cost of replacing, at current market rates, these contracts in the event of default by the other party. Management believes the risk of incurring such losses is remote as the contracts are entered into with major financial institutions.

In addition to the derivatives listed above, the SDRS fixed income portfolio also held mortgage-backed securities in the form of GNMAs, FHLMCs, and FNMAs. The fair value of these securities as of June 30, 2004 was $400,603,792. These securities may be subject to prepayment by the mortgagees, which may reduce the fair value of these securities. The SDIC is using this investment to enhance fixed returns.

Cement Plant Retirement Fund. The South Dakota Cement Plant Retirement Fund is a unit pension trust fund. Investment portfolio management is the statutory responsibility of the SDIC. The SDIC purchases and sells financial and interest rate futures as a means of adjusting the plan's portfolio mix. Futures contracts outstanding at June 30, 2004 were as follows (expressed in thousands):

	Open Positions	Contracts	Fair Value
S&P 500 Index due September 2004	Long	12	$ 3,422

In addition to the derivatives listed above, the Cement Plant Retirement Fund also held mortgage-backed securities in the form of GNMAs and FNMAs. The fair value of these securities as of June 30, 2004 was $2,097,829. The SDIC is using this investment to enhance fixed returns.

B. Component Units (excluding foundations of Higher Education)

Deposits

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the component unit's deposits may not be returned to it. The component units do not have deposit policies for custodial credit risk. As of June 30, 2004 the component units had deposits that were not collateralized or covered by depository insurance in the amount of $4,947,446.

Investments

Custodial Credit Risk. Custodial credit risk is the risk that in the event of the failure of the counterparty, the component unit will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The component units do not have investment policies for custodial credit risk. At June 30, 2004, investments in the amount of $16,576,256 were uninsured and unregistered, with the securities held by the counterparty, or by its trust department or agent, but not in the component unit's name.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The component units have limits on the maturities of investments for their restricted accounts. Investments of the Housing Development Authority Capital Reserve accounts must have an average maturity within 5 years, with 15 % thereof within two years, from the date of purchase. Investments of the Mortgage Reserve accounts must mature within 5 years from the date of purchase. The Housing Authority assumes that its callable investments will not be called. The Housing Authority invests in mortgage pass-through securities issued by Fannie Mae (Federal National Mortgage Association), Ginnie Mae (Government National Mortgage Association) and Freddie Mac (Federal Home Loan Mortgage Corporation). Because prepayments of mortgages underlying these securities affect the principal and interest payments received by these securities, these securities are considered highly sensitive to interest rate risk.

The Economic Development Finance Authority limits the maturities of investments for its restricted accounts (all accounts other than the General Account) to terms of two years or less from the date of the investment.

As of June 30, 2004, component units had investments maturing as follows (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 to 5	6 to 10	Greater than 10
U.S. Treasuries bills	$ 3,134	$ 3,134	$	$	$
U.S. Treasury notes	34,385	3,161	28,329	2,895	
U.S. Treasury strips	849		849		
U.S. Treasury bonds	314			314	
U.S. agencies	236,114	36,194	121,777	38,948	39,195
Investment grade corporate	220		75	145	
Mutual funds	209,674	209,674			
State Obligations	12,279	2,220	4,519	5,303	237
Investment agreements	191,113	2,623	185,222		3,268
Total	$ 688,082	$ 257,006	$ 340,771	$ 47,605	$ 42,700

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. It is the investment policy of the Housing Development Authority to invest in securities limited to direct general obligations of the U.S. Government, U.S. Government agencies, direct and general obligations of any state within the United States rated in the two highest categories by a national rating agency, mutual funds invested in securities mentioned above and investment agreements secured by securities mentioned above. The State obligations were rated Aa and Aaa by Moody's Investors Service. U.S. Government agencies are rated Aaa by Moody's Investors Service. Investment agreements are unrated, however, the underlying collateral pledged against them are invested in direct obligations of the U.S. Government and U.S. Government agencies. Mutual fund investments are rated Aaa by Moody's Investors Service. Investments issued by or explicitly guaranteed by the U.S. Government are not considered to have a credit risk.

The investment management policy of the Economic Development Finance Authority limits investments in corporate bonds to those rated in either of the two highest rating categories by either Moody's Investors Service or Standard & Poor's Corporation. As of June 30, 2004, the Economic Development Finance Authority's investments had the following ratings (expressed in thousands):

Standard & Poor's Rating	Fair Value
AAA	$11,584
AA-	72
A+	73
Total Fair Value	$11,729

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The component units place no limit on the amounts that they may invest in any one issuer. As of June 30, 2004, the following issuers held 5 % or more of the Housing Development Authority's investments: Trinity Plus Funding Company Investment agreement (27.2%), Federal Home Loan Bank (20.3%), and Federal National Mortgage Association (6.4%)

4. DISAGGREGATION OF RECEIVABLES AND PAYABLES

A. Receivables - Net

The line "Receivables, Net" reported on the government-wide Statement of Net Assets consisted of the following (expressed in thousands):

	Governmental Activities							
	General Fund	Transportation Fund	Social Services Federal Fund	Dakota Cement Trust Fund	Education Enhancement Trust Fund	Non-major Governmental Funds	Internal Service Funds	Total
Taxes Receivable	$83,988	$ 11,653	$	$	$	$ 4,449	$	$100,090
Allowance	(4,005)	(9)				(79)		(4,093)
Accounts Receivable	3,516	804	3,889		1,440	6,594	660	16,903
Allowance	(287)					(31)		(318)
Due From Other Governments	645	28,164	30,381			55,973	132	115,295
Allowance	(99)							(99)
Interest Receivable	1,571	381	3	1,888	2,736	1,750	224	8,553
Current Loans and Notes		170				1,007		1,177
Allowance						(241)		(241)
Non-current Loans and Notes		621				20,829		21,450
Allowance						(264)		(264)
Due From Fiduciary Funds	36					61	36	133
Receivables, net	$85,365	$ 41,784	$ 34,273	$ 1,888	$ 4,176	$ 90,048	$ 1,052	$258,586

	Business-type Activities			
	Lottery Fund	Water Pollution Control Revolving Fund	Non-major Enterprise Funds	Total
Accounts Receivable	$ 4,863	$	$ 3,227	$ 8,090
Allowance	(19)		(2,066)	(2,085)
Due From Other Governments		105	757	862
Interest Receivable	58	1,639	985	2,682
Current Loans Receivable		7,079	9,630	16,709
Allowance			(1,169)	(1,169)
Noncurrent Loans Receivable		70,448	77,243	147,691
Allowance			(1,012)	(1,012)
Due From Fiduciary Funds			10	10
Receivables, net	$ 4,902	$ 79,271	$ 87,605	$ 171,778

B. Accounts Payable and Other Current Liabilities

The line "Accounts Payable and Other Current Liabilities" reported on the government-wide Statement of Net Assets consisted of the following (expressed in thousands):

	Governmental Activities					
	General Fund	Transportation Fund	Social Services Federal	Nonmajor Governmental Funds	Internal Service Funds	Total
Payroll and Withholdings	$ 8,930	$ 3,769	$ 1,421	$ 6,716	$ 1,609	$ 22,445
Accounts Payable	12,204	24,093	1,739	15,234	1,421	54,691
Medicaid Claims	13,416		25,048	7,005		45,469
Due to Other Governments	2,515	1,634	78	20,844		25,071
Shared Revenue Distribution	19,433			12,042		31,475
Due to Fiduciary Funds	44			76		120
Total	$ 56,542	$ 29,496	$ 28,286	$ 61,917	$ 3,030	$ 179,271

	Business-type Activities			
	Lottery Fund	Clean Water State Revolving Fund	Nonmajor Enterprise Funds	Total
Payroll and Withholdings	$ 84	$ 13	$ 377	$ 474
Accounts Payable	1,122	110	2,307	3,539
Due to Fiduciary Funds			14	14
Escrow Payable	43			43
Other Liabilities	441			441
Total	$ 1,690	$ 123	$ 2,698	$ 4,511

5. INTERFUND TRANSACTIONS

The composition of interfund balances at June 30, 2004 is as follows (expressed in thousands):

A. Interfund Receivables and Payables

	Due From									
Due To	General Fund	Transportation Fund	Social Services Federal	Education Enhancement Fund	Non-major Governmental Funds	Lottery Fund	Non-major Enterprise Funds	Internal Service	Fiduciary	Total
General Fund	$	$ 80	$ 3,802	$ 14,323	$ 13,123	$ 668	$ 24	$ 82	$ 36	$ 32,138
Transportation Fund	139		43		158			282		622
Social Services Fund					23					23
Non-major Governmental Funds	596	128	211		2,200	5,045	20	112	61	8,373
Non-major Enterprise Funds	52	11	16		112			63	10	264
Internal Service Funds	1,900	1,030	654		2,568	78	121	713	36	7,100
Fiduciary Funds	44				76		14			134
Total	$ 2,731	$ 1,249	$ 4,726	$ 14,323	$ 18,260	$ 5,791	$ 179	$ 1,252	$ 143	$ 48,654

Interfund receivables and payables are recorded for: 1) interfund goods or services provided or other reimbursable transactions occurring between funds; 2) year-end entries eliminating deficit cash balances in funds as described further in Note 3; and, 3) other payables existing between funds.

Advances between funds also existed at June 30, 2004, which are not shown in the above table. These are amounts owed between funds that are not due within one year and include $893,287 due from the Aeronautics Fund, reported as a nonmajor governmental fund to the General Fund for the reimbursement of state aircraft maintenance costs.

B. Interfund Transfers

Transferred from	Transferred To: General Fund	Transportation Fund	Non-major Governmental Funds	Non-major Enterprise Funds	Internal Service	Fiduciary	Total Transferred To
General Fund	$	$ 14	$ 32,061	$ 3,387	$ 574	$	$ 36,036
Transportation Fund	1,547		161				1,708
Dakota Cement Trust Fund	12,000						12,000
Education Enhancement Trust Fund	14,323						14,323
Non-major Governmental Funds	106,083	2,163	10,865	46		23	119,180
Lottery Fund	4,798		110,970				115,768
Water Pollution Control Revolving Fund			27	2,596			2,623
Non-major Enterprise Funds	23		377	1,047			1,447
Internal Service Funds			216		1		217
Total Transferred From	138,774	2,177	154,677	7,076	575	23	303,302
Transfers of Capital Assets From General Capital Assets To: Internal Service Funds							2,178
Total	$ 138,774	$ 2,177	$ 154,677	$ 7,076	$ 575	$ 23	$ 305,480

Transfers are used to: 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; 2) move receipts restricted for debt service from the funds collecting the receipts to the Debt Service Fund as debt service payments become due; and, 3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. In the fund financial statements, total transfers out are $2,178,000 lower than total transfers in because of the treatment of assets transferred between proprietary funds and governmental funds. No amounts were reported in the governmental fund financial statements because the amount did not involve the transfer of financial resources.

In fiscal year 2004, $137,028,000 of General Fund appropriations was used to support state-run universities, which are reported under Higher Education, a component unit. The amounts are reported as expenditures in both General Fund statements and the governmental activities column of the Statement of Activities. They are reported as revenues in the component units column of the Statement of Activities.

6. CAPITAL ASSETS

A. Primary Government

Capital Assets consisted of the following for fiscal year 2004 (expressed in thousands):

Governmental Activities	Beginning Balance (Restated)	Additions	Deletions	Ending Balance
Capital Assets not Being Depreciated:				
Land	$ 62,556	$ 2,512	$ 985	$ 64,083
Land Improvements	1,775			1,775
Land Improvements - Roads	556,141	3,238		559,379
Construction in Progress	170,027	123,643	107,441	186,229
Total Capital Assets Not Being Depreciated	790,499	129,393	108,426	811,466
Capital Assets Being Depreciated:				
Land Improvements	6,940	1,123		8,063
Buildings	248,848	2,475	130	251,193
Equipment	120,617	15,334	10,768	125,183
Vehicles	89,886	12,345	9,156	93,075
Infrastructure	2,607,847	91,837	33,105	2,666,579
Total Capital Assets Being Depreciated	3,074,138	123,114	53,159	3,144,093
Less: Accumulated Depreciation for:				
Land Improvements	2,062	392		2,454
Buildings	90,904	7,074	68	97,910
Equipment	71,684	8,835	8,992	71,527
Vehicles	50,243	9,833	6,799	53,277
Infrastructure	1,048,956	45,663	13,767	1,080,852
Total Accumulated Depreciation	1,263,849	71,797	29,626	1,306,020
Total Capital Assets Being Depreciated, Net	1,810,289	51,317	23,533	1,838,073
Total Governmental Activities, Net	$ 2,600,788	$ 180,710	$ 131,959	$ 2,649,539

Business-Type Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets not Being Depreciated:				
Land	$ 354	$	$	$ 354
Construction in Progress	371		371	
Total Capital Assets Not Being Depreciated	725		371	354
Capital Assets Being Depreciated:				
Land Improvements	687	237		924
Buildings	3,637	371		4,008
Equipment	2,133	61	41	2,153
Total Capital Assets Being Depreciated	6,457	669	41	7,085
Less: Accumulated Depreciation for:				
Land Improvements	349	24		373
Buildings	2,321	105		2,426
Equipment	1,868	52	37	1,883
Total Accumulated Depreciation	4,538	181	37	4,682
Total Capital Assets Being Depreciated, Net	1,919	488	4	2,403
Total Business-Type Activities, Net	$ 2,644	$ 488	$ 375	$ 2,757

Depreciation was charged to the function of government as follows:

	Amount
Governmental Activities	
Unallocated	$ 53
General Government	9,028
Health and Human Services	2,087
Law, Justice, and Public Protection	4,721
Agriculture and Natural Resources	2,332
Transportation	52,403
Education	1,119
Economic Resources	54
Total Governmental Activities	$ 71,797
Business-Type Activities	
Enterprise Funds	$ 181

B. Component Units

Capital Assets for Component Units consisted of the following for fiscal year 2004 (expressed in thousands):

	Beginning Balance (Restated)	Additions	Deletions	Ending Balance
Higher Education:				
Capital Assets Not Being Depreciated:				
Land	$ 6,344	$	$ 45	$ 6,299
Construction in Progress	44,077	24,292	24,594	43,775
Works of Art and Historical Treasures	7,847	38		7,885
Total Capital Assets Not Being Depreciated	58,268	24,330	24,639	57,959
Capital Assets Being Depreciated:				
Land Improvements	12,913	1,225	108	14,030
Infrastructure	17,830	855	71	18,614
Buildings	327,929	32,320	3,001	357,248
Equipment and Other Assets	147,505	12,684	2,822	157,367
Total Capital Assets Being Depreciated	506,177	47,084	6,002	547,259
Less: Accumulated Depreciation for:				
Land Improvements	5,273	554	99	5,728
Infrastructure	8,564	577	14	9,127
Buildings	144,719	9,372	2,021	152,070
Equipment and Other Assets	104,561	9,223	1,953	111,831
Total Accumulated Depreciation	263,117	19,726	4,087	278,756
Total Capital Assets Being Depreciated, Net	243,060	27,358	1,915	268,503
Total Higher Education Capital Assets, Net	301,328	51,688	26,554	326,462
South Dakota Housing Development Authority:				
Capital Assets Being Depreciated:				
Equipment	3,339	218	127	3,430
Less: Accumulated Depreciation for:				
Equipment	1,813	417	108	2,122
Total Capital Assets Being Depreciated, Net	1,526	(199)	19	1,308
Total Discretely Presented Component Units, Net	$ 302,854	$ 51,489	$ 26,573	$ 327,770

C. Construction in Progress

The State has entered into contracts for the renovation and construction of buildings, structures, and infrastructure (highway projects). Commitments associated with construction in progress at June 30, 2004 are as follow (expressed in thousands):

	Amount
Primary Government	
Governmental Activities	
Land Improvements	$ 6,241
Buildings and Structures	14,190
Equipment	62
Infrastructure	165,736
Total Governmental Activities	$ 186,229
Discretely Presented Component Units	
Higher Education	
Land Improvements	$ 665
Buildings and Structures	40,789
Infrastructure	2,321
Total Discretely Presented Component Units	$ 43,775

7. RETIREMENT PLANS

South Dakota Retirement System, Plan Description: The South Dakota Retirement System (SDRS) is a cost-sharing, multiple-employer, public employee retirement system established to provide retirement, disability, and survivor benefits for employees of the State and its political subdivisions. Authority for establishing, administering, and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements, footnote disclosures, and required supplementary information. The SDRS is considered part of the State of South Dakota financial reporting entity and is included in the State's financial report as a pension trust fund. Copies of the separately issued financial report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098, or by calling (605) 773-3731.

As of June 30, 2004, the number of participating governmental employers was:

School Districts	181
State of South Dakota	1
Board of Regents	1
Municipalities	138
Counties	63
Boards and Commissions	74
Total Employers	458

The SDRS financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America applicable to governmental accounting for a pension trust fund. Revenue is recorded when earned and expenses recorded when incurred. Employee and employer contributions are recognized when due pursuant to formal commitment as well as statutory requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investments are carried at fair value to properly reflect the asset values of the fund at June 30, 2004. Fair values were determined based on closing market prices at June 30, 2004 for those securities traded on national and international stock exchanges and at the average of bid-and-asked quotations for those securities traded in the over-the-counter market. Investments not traded on any exchange are valued at fair value based on estimates made by management. The value of foreign securities in foreign currency amounts is expressed in U.S. dollars at the closing daily rate of exchange. Real estate is valued at market based upon annual appraisals. Purchases and sales are recorded as of the trade date.

The equity securities include common stocks, preferred stocks, convertible debentures, arbitrage securities, and equity international funds. The fixed income securities include U.S. government and government-backed bonds and corporate bonds.

Foreign exchange rate gains and losses are included with the net appreciation in fair value in investments. Futures contracts are marked to market based on quoted futures prices with changes in fair value reflected in the current period.

Interest and dividends are accrued in the period they are earned.

Contributions: Covered employees are required by state law to contribute a percentage of their salary to SDRS as follows:

Class A members - 6%
Class B Judicial members - 9%
Class B Public Safety members - 8%

All participating employers are required to contribute an amount equal to the member's contributions. Members may make an additional contribution of 8/10 of 1% of compensation for optional spouse coverage.

Contributions during fiscal year 2004 totaling $179,510,046 ($104,655,550 employee and $74,854,496 employer) were made in accordance with statutory rates. These contributions represent 15.4% of current year covered payroll for all participating units. The employee contributions exceed the employer contributions because of optional spouse coverage contributions and employee service purchase payments. The employer contributions for fiscal years 2003 and 2002 were $71,989,308 and $58,544,918, respectively.

SDRS is funded by fixed member and employer contributions at a rate established by state law. On an annual basis, an independent actuarial valuation of SDRS is made to determine the adequacy of the fixed contractually-required contributions to pay the normal cost, expenses and amortize the frozen unfunded actuarial accrued liability. The June 30, 2004 actuarial valuation of the plan determined that the contractually-required employer contributions equal the requirements for the annual required contribution of the employers under GASB Statement No. 25.

SDRS allows participating entities to pay their deferred contributions for funding of accrued benefits over periods of up to 20 years and members to pay for the purchase of certain prior service over periods of up to 10 years. Interest is charged at rates of 5% to 8%. As of June 30, 2004, deferred contribution payments will be received as follows (expressed in thousands):

Year Ending June 30	Employers	Employees
2005	$ 20	$ 4,254
2006	2	2,048
2007		1,298
2008		869
2009		563
Later		935
	22	9,967
Less interest	1	1,454
Total	$ 21	$ 8,513

South Dakota Cement Commission Retirement Plans: The South Dakota Cement Commission (SDCC) administers the South Dakota Cement Pension Trust Fund. The Fund consists of six defined benefit pension plans that cover all former employees of the State Cement Plant. The plans are noncontributory, single-employer, public employee retirement plans. The plans are actuarially funded, using the entry age normal, level percent of pay, funding method. The plans' funding policies provide for the unfunded actuarial accrued liability to be amortized as a level dollar over an open 20-year period. Based on this, the annual required contribution for 2004 is $676,300.

The retirement plans are frozen as to new participants, final average earnings, credited service, and primary social security benefits. The normal retirement age is 65, and early retirement is at age 55, with required credited service. The plans provide disability benefits to those former employees totally and permanently disabled on or before March 16, 2001. A survivor benefit will be paid to a surviving spouse provided: a) the spouse has dependent children; or, b) the surviving spouse has attained the age of 65; or, c) the employee had purchased the surviving spouse coverage option. Plan contributions are established by Administrative Rules of South Dakota.

Copies of a separately issued financial report on the plans may be obtained by writing to the South Dakota Department of Legislative Audit, 427 South Chapelle, % 500 East Capitol, or by calling (605) 773-3595.

The Funds' financial statements are prepared on the accrual basis of accounting. Benefits are recorded when payable by administrative rule.

Investments are carried at fair value which is based on the quoted market price of each investment traded on stock exchanges. Interest and dividends are accrued in the period they are earned. The unrealized appreciation or depreciation in the current value of the investments held at June 30, 2004 and the realized gain or loss on sales of investments during the period then ended are determined using the average cost of the investments. At June 30, 2004, the fair value of net assets held in trust for pension benefits was $37,314,085.

Department of Labor Employment Security Retirement Plan: Employees of the Department of Labor hired prior to July 1, 1980 had the option to become a member of the SDRS, or maintain membership in the Employment Security Retirement Plan. The Employment Security Retirement Plan is a defined benefit single employer plan administered through a private insurance carrier.

Financial statements are not available from the insurance company. The latest actuarial information available is as of July 1, 2003. The following actuarial information covers all employees of the active life plan, plus any cost-of-living increases granted to retired life plan participants after January 1, 1987.

For the fiscal year ended June 30, 2003 (most recent actuarial valuation date), the payroll and contributions for employees covered by the plan was $2,758,316 and $117,141, respectively. On June 30, 2003, participants in the plan consisted of the following:

Active Participants	77
Vested Terminated Participants	6
Retired Participants and Beneficiaries	200

Investments are carried at fair value to properly reflect asset values at June 30, 2003. Contributions are made by active life plan participants at 5% of their salaries. The Department of Labor has not contributed to the plan since 1994 and no future employer contributions are expected to be required, based on the actuarial assumptions used. The following is a schedule of funding progress (expressed in thousands):

Fiscal Year Ended June 30	Actuarially Net Assets Available For Benefits	Entry Age Normal Assets in Accrued Liability (AAL)	Percent Funded (1)-(2)	Annual Excess of AAL (1)-(2)	Annual Covered Payroll	Assets in Excess Of AAL as a Percent of Covered Payroll (4)-(5)
1998	$ 54,377	$ 41,298	131.7%	$ 13,080	$ 3,386	386.3%
1999	57,211	42,559	134.4	14,652	3,264	448.9
2000	59,370	44,456	133.5	14,914	3,036	491.3
2001	56,174	45,540	123.4	10,634	2,948	360.7
2002	57,914	46,442	124.7	11,472	2,957	388.0
2003	56,633	47,386	119.5	9,247	2,758	335.3

8. DEFERRED COMPENSATION PLAN

The State of South Dakota maintains a deferred compensation plan for the benefit of its employees created in accordance with Internal Revenue Code Section 457. The plan is available to all employees of the State and its political subdivisions. The plan permits participants to defer a portion of their salary until future years, thereby deferring taxation on the portion deferred. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable financial emergency.

All amounts of compensation deferred under the plan, all property and rights held by the deferred compensation plan, at all times until made available to a participant or the participant's beneficiary, shall be held in trust for the exclusive benefit of the participants. The State has no liability for losses under the plan.

The assets of the deferred compensation plan are not included in the accompanying financial statements because the assets are remitted to a third-party administrator to hold in trust.

9. COMMITMENTS

Construction and Other Commitments: At June 30, 2004, the Department of Transportation had contractual construction commitments of $181,064,454 for various highway projects and maintenance commitments (including stockpile) of $4,218,247. Financing for these future expenditures will be primarily from approved federal grants and highway use taxes.

The Department of Environment and Natural Resources had construction and other contractual commitments of $80,224,562 for various water development projects. Financing for these future expenditures will be from approved federal grants, legislative appropriations, and a bond issue. These commitments relate to the following funds/programs:

Clean Water State Revolving Fund	$10,353,978
Drinking Water State Revolving Fund	$37,566,548

Water and Environment Fund Program	$21,313,077
Federal Funds	$10,990,959

The Building Authority has contracts and other construction commitments of $13,477,472.

The South Dakota Housing Development Authority had commitments to purchase home-ownership mortgage loans aggregating approximately $66,282,307. Financing for these future expenditures will be from home-ownership mortgage bonds.

The Department of Tourism and State Development had construction and other contractual commitments of $35,954,028. Financing for these future expenditures will be from approved federal grants, from a previous 1% sales tax, and an employer's investment in South Dakota's future fee. These commitments relate to the following funds/programs:

Revolving Economic Development Initiative (REDI) Fund Grants/Loans	
Value-Added Tourism Sub Fund	$ 565,626
Value-Added Agriculture Sub Fund	$ 643,470
REDI Fund Loans	$10,917,500
SD Economic Development Authority	$ 325,000
Community Development Block Grant (CDBG)	$17,216,819
Future Fund Program	$ 6,285,613

The Petroleum Release Fund has commitments of $5,000,000.

The State of South Dakota, acting through the Department of Environment and Natural Resources, has contracted with the United States Environmental Protection Agency for participation in the reclamation and remediation of the former Gilt Edge and Brohm Mine in Lawrence County. The State is expected to pay 10% of the final costs of reclamation and remediation of the site, currently estimated to be $45 million. The State has already spent approximately $2.5 million from the Regulated Response Fund. The State had approximately $5.4 million in the form of a cash deposit contributed by Brohm for reclamation costs. The State's contribution to the costs of reclamation and remediation will come from the sums already expended from the Regulated Response Fund and from the cash deposit contributed by Brohm, together with interest earned on the cash deposit. After reclamation is completed, and after a holding period by the United States, the State will take control of the site. Costs incurred when the State takes control of the site cannot be anticipated at this time.

10. SELF-INSURANCE

A. Workers' Compensation Benefits and Unemployment Insurance

Various funds accumulate assets to cover risks that the State incurs in its normal operations. The State (rather than an insurance carrier) assumes the risk associated with claims of state employees for unemployment compensation benefits. "Premiums" charged to state funds to cover the costs of claims servicing and claims payments are based on a percentage of wages paid to state employees. Related transactions are accounted for in the State Unemployment Compensation Fund.

The State is self-insured for workers' compensation through the creation of reserves derived from a percentage of wages paid to state employees. This activity is accounted for in an internal service fund. Claims payable for workers' compensation is reported using an actuarial estimate based on historical experience that includes actual claims submitted as well as claims incurred, but not reported. Allocated claim adjustment expenses (those relating to a specific claim) are included in the determination of claims payable. Unallocated claim adjustment expenses are not included. Estimated recoveries on unsettled and/or settled claims reduce claims liability and are considered in the actuarial estimate. The claims liability is funded as claims are paid resulting in an actuarially determined unfunded liability of $11,077,319 at June 30, 2004. The Workers' Compensation Fund liability at June 30, 2004, and the changes to the liability during fiscal years ended June 30, 2004 and 2003 listed on the following page were as follows (expressed in thousands):

	FY2004	FY2003
Unpaid claims and claim adjustment expenses at beginning of fiscal year	$ 16,693	$ 16,529
Prior period adjustment for claims and claim adjustment expenses relating to prior fiscal years	(1,761)	
Incurred claims and claim adjustment expenses		
Provision for insured events of current fiscal year	638	1,118
Changes in provision for insured events of prior fiscal years	2,438	2,416
Total incurred claims and claim adjustment expenses	3,076	3,534
Payments		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	890	1,195
Claims and claim adjustment expenses attributable to insured events of prior fiscal year	2,172	2,175
Total payments	3,062	3,370
Unpaid claims and claim adjustment expenses at end of fiscal year	$ 14,946	$ 16,693

B. Health and Life Insurance

The State (rather than an insurance carrier) assumes substantially all risk associated with claims of covered public employees for health insurance and life insurance benefits (an insurance carrier, however, provides claims administration services for health insurance). The health and life insurance programs are accounted for in the Self-Insurance Internal Service Fund. "Premiums" are charged to state funds for all covered employees. Employees may purchase varying levels of health and/or life coverage for their spouses and/or dependents. Claims payable for health insurance is reported using an actuarial estimate based on historical experience that includes actual claims submitted as well as claims incurred, but not reported. Allocated claim adjustment expenses are included in the determination of claims payable. Unallocated claim adjustment expenses are not included. Estimated recoveries on unsettled and/or settled claims reduce claims liability and are considered in the actuarial estimate. Claims expenses and liabilities for life insurance are reported using a case-by-case review of claims. Allocated claim adjustment expenses are uncommon and immaterial. Unallocated claim adjustment expenses are not included. At the end of fiscal year 2004, $725,000 of the retained earnings balance in the Self-Insurance Fund was designated for future catastrophic losses relating to life insurance. The health and life insurance programs liability at June 30, 2004 and the changes to the liability during fiscal years ended June 30, 2004 and 2003 were as follows (expressed in thousands):

	Health Insurance		Life Insurance	
	FY2004	FY2003	FY2004	FY2003
Unpaid claims and claim adjustment expenses at beginning of fiscal year	$ 7,890	$ 7,509	$ 266	$ 85
Incurred claims and claim adjustment expenses	57,944	53,095	1,605	2,494
Payments:				
Claims and claim adjustment expenses attributable to insured events of current fiscal year	50,981	45,205	1,502	2,228
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	7,890	7,509	266	85
Total payments	58,871	52,714	1,768	2,313
Unpaid claims and claim adjustment expenses at end of fiscal year	$ 6,963	$ 7,890	$ 103	$ 266

C. Public Entity Pool for Liability

The State is insured through a Public Entity Pool for Liability Fund (PEPL), reported as an internal service fund. The PEPL Fund covers risks associated with automobile liability and general tort liability (including public officials' errors and omissions liability, medical malpractice liability, law enforcement liability, and products liability).

All funds and agencies of the State participate in the PEPL fund. The PEPL fund allocates the cost of providing claims servicing and claims payment by charging a "premium" to each fund and agency based on the number of automobiles titled to each agency (for automobile liability) or approved full-time employees (for general tort liability). The PEPL fund initially limited claims to $1,000,000 per occurrence, subject to limitations set forth in SDCL 3-22. The State claimed sovereign immunity for all other tort liabilities. A State Supreme Court opinion now allows noneconomic damages against employees of the State while they are performing ministerial acts; therefore, beginning in FY1996, the PEPL Fund coverage document was amended to provide liability coverage for noneconomic damages that are the result of these acts and commercial reinsurance was

purchased. Excess of loss reinsurance was purchased for claims costs between $100,000 and $1,000,000. Beginning in FY2002, the excess of loss reinsurance amount was changed to claims costs between $250,000 and $1,000,000.

Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported, based on historical experience. Allocated claim adjustment expenses are included in the determination of claims payable. Unallocated claim adjustment expenses are not included. Estimated recoveries on unsettled and/or settled claims reduce claims liability and are considered in the actuarial estimate. At the end of fiscal year 2004, $5,365,365 of the retained earnings balance in the PEPL Fund was designated for future catastrophic losses. The PEPL Fund liability at June 30, 2004 and the changes to the liability during fiscal years ended June 30, 2004 and 2003 were as follows (expressed in thousands):

	FY2004	FY2003
Unpaid claims and claim adjustment expenses at beginning of fiscal year	$ 5,439	$ 6,281
Incurred claims and claim adjustment expenses		
Provision for insured events of current fiscal year	475	721
Changes in provision for insured events of prior fiscal years	2,011	764
Total incurred claims and claim adjustment expenses	2,486	1,485
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	241	221
Claims and claim adjustment expenses attributable to insured events of prior fiscal year	3,237	2,106
Total payments	3,478	2,327
Unpaid claims and claim adjustment expenses at end of fiscal year	$ 4,447	$ 5,439

D. Risk Management

The State is commercially insured for boiler insurance, aircraft, and crime bonds through outside insurance companies. Entities participating in these insurance coverages are only billed for premiums applicable to their coverage needs. The State is uninsured for property losses, with the exception of bonded and revenue-producing buildings that are covered through outside insurance companies.

11. OPERATING LEASES

The State of South Dakota has entered into numerous agreements to lease land, buildings, and equipment. Most operating leases contain a provision that the State may renew leases on a year-to-year basis. In most cases, management expects the leases will be renewed or replaced by other leases of a similar nature.

The following schedule is a summary of future minimum rental payments by years required under operating leases with lease terms in excess of one year as of June 30, 2004 (expressed in thousands):

Year Ending June 30,	Primary Government	Component Units	Total
2005	$ 4,113	$ 1,841	$ 5,954
2006	4,028	1,733	5,761
2007	3,422	1,601	5,023
2008	2,846	1,045	3,891
2009	2,130	577	2,707
2010-2014	7,942	2,457	10,399
2015-2019	4,668	2,217	6,885
2020-2024		443	443
Total Minimum Payments	$ 29,149	$ 11,914	$ 41,063

The total rental expenses for all operating leases for the fiscal year ended June 30, 2004 was $8,915,027 for the primary government and $2,071,708 for component units.

12. LONG-TERM LIABILITIES

Long-term obligations at June 30, 2004 and changes to long-term liabilities during the fiscal year then ended are as follows (expressed in thousands):

	Beginning Balance (Restated)	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
Revenue Bonds	$ 352,540	$	$ 11,072	$ 341,468	$ 8,760
Trust Certificates	39,955		2,380	37,575	2,495
Compensated Absences	47,929	25,996	25,661	48,264	25,354
Policy Claims Liability	14,075	70,778	72,748	12,105	8,833
Workers Compensation	15,547	1,314	1,569	15,292	2,415
Capital Leases	34,255	4,712	4,238	34,729	4,383
Escheat Property	2,459	1,048	735	2,772	1,802
Total Governmental Activities	506,760	103,848	118,403	492,205	54,042
Business-Type Activities					
Revenue Bonds	30,284		1,431	28,853	1,504
Compensated Absences	1,003	491	462	1,032	542
Policy Claims Liability	0	1,363	1,182	181	181
Capital Leases	29		8	21	9
Total Business-Type Activities	31,316	1,854	3,083	30,087	2,236
Component Units (excluding foundations of Higher Education)					
Revenue Bonds	1,504,460	577,037	517,482	1,564,015	33,347
Trust Certificates	5,585		1,500	4,085	1,620
Compensated Absences	30,304	14,491	13,260	31,535	9,403
Capital Leases	321	2,372	1,140	1,553	428
Rural Development Loans	2,280		91	2,189	90
Federal Portion of Perkins Loan Program	31,604	854		32,458	
Other	1,283		1,283	0	
Total Component Units	1,575,837	594,754	534,756	1,635,835	44,888
Total Long-Term Obligations	$ 2,113,913	$ 700,456	$ 656,242	$ 2,158,127	$ 101,166

Revenue Bonds and Trust Certificates

A. Governmental Activities

Building Authority

The Building Authority issues bonds and trust certificates to finance the cost to acquire, construct, remodel, maintain, and equip buildings and other facilities of state departments and institutions. Bonds and certificates of participation are payable from revenues generated through lease agreements between the Building Authority and state departments and institutions. Lease payments for bonds and certificates of participation are paid from the General Fund and other state dedicated fees of state departments, boards, and commissions, and an annuity.

The Building Authority sold trust certificates to a trustee bank and assigned the right to receive lease rental payments over to the trustee bank. The principal and interest payments on the certificates are payable solely from amounts payable by the State under lease agreements. The certificates are not an indebtedness of the State within the meaning of any constitutional or statutory debt limit, nor may the certificates be a claim against the property of the Authority.

The indebtedness or obligations incurred or created by the Building Authority may not be or become a lien, charge, or liability against the State of South Dakota. This financial presentation does not change the legal liability of the indebtedness.

Following are Building Authority bonds and trust certificates outstanding at June 30, 2004 (expressed in thousands):

	Maturity Through	Interest Rates	Amount
Bond Series:			
1996A	2016	4.400%-5.950%	$ 68,826
1996C	2014	4.100%-5.300%	6,573
1996D	2011	5.200%-6.000%	520
Less Deferred Charges			(43)
1999	2019	4.500%-6.500%	1,301
2003	2015	2.500%-5.000%	1,248
Add Premium on Bonds			54
Total Bonds			78,479
Trust Certificate Series:			
1991A&B	2016	4.700%-6.750%	11,635
1993A&B	2017	6.300%-8.300%	25,940
Total Trust Certificates			37,575
Total			$ 116,054

As of June 30, 2004, debt service requirements for principal and interest for the Building Authority were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2005	$ 11,255	$ 6,480	$ 17,735
2006	11,196	5,848	17,044
2007	11,229	5,172	16,401
2008	10,990	4,515	15,505
2009	11,065	3,563	14,628
2010-2014	42,462	10,384	52,846
2015-2019	17,846	13,759	31,605
Total	$ 116,043	$ 49,721	$ 165,764

Educational Enhancement Funding Corporation

During the 2001 Legislative session, the Legislature authorized the South Dakota Building Authority to provide for the establishment of a corporation for the purpose of selling a portion or all of the State's rights, title and interest in the proceeds of the tobacco companies master settlement agreement. On July 26, 2002, the Educational Enhancement Funding Corporation was created pursuant to South Dakota Codified Law 5-12-48 through 5-12-60. The State of South Dakota gave up its rights to any proceeds of the tobacco companies master settlement agreement while the bonds are outstanding, or over the term of the bonds, whichever is shorter.

Following are Educational Enhancement Funding Corporation bonds outstanding at June 30, 2004 (expressed in thousands):

Bond Series:	Maturity Through	Interest Rates	Amount
2002A	2025	6.72%	$ 135,877
2002B	2032	6.50%	129,540
Less Unamortized Discount			(2,428)
Total			$ 262,989

As of June 30, 2004, debt service requirements for principal and interest for the Educational Enhancement Funding Corporation were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2005	$	$ 17,551	$ 17,551
2006		17,551	17,551
2007		17,551	17,551
2008		17,551	17,551
2009	1,397	17,551	18,948
2010-2014	31,365	83,378	114,743
2015-2019	40,275	71,276	111,551
2020-2024	50,295	56,964	107,259
2025-2029	78,585	36,888	115,473
2030-2032	63,500	8,450	71,950
Total	$ 265,417	$ 344,711	$ 610,128

B. Business-Type Activities

State Revolving Funds

The South Dakota Conservancy District issued tax-exempt revenue bonds for the Clean Water State Revolving Fund (CWSRF) and for the Drinking Water State Revolving Fund (DWSRF). The SRF's provide low interest loans or other types of financial assistance to political units for the construction of publicly-owned wastewater treatment facilities, implementation of nonpoint source management programs, development and implementation of plans under the Estuary Protection Program, and construction and maintenance of drinking water facilities, respectively. To date, the program has been used to make loans and refinance existing debt with a maximum of twenty years for repayment. Loans for the DWSRF can be made for 30 years, if the funds are for a disadvantaged community.

The South Dakota Conservancy District bonds do not constitute a debt or liability of the State of South Dakota, or a pledge of the faith and credit of the State. The bonds are paid solely from the interest earned on the loan repayments for the CWSRF and the DWSRF of $2.5 million and $1.2 million, respectively. If necessary, a legislative appropriation of $1,200,000 is available for the CWSRF only.

The following is a schedule of outstanding bonds as of June 30, 2004 (expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
Clean Water State Revolving Fund			
1994A	2012	3.10%-5.30%	$ 6,260
1995A	2015	5.00%-6.20%	5,935
1996A	2017	4.40%-5.625%	2,270
2001	2022	4.00%-5.00%	4,265
Less Unamortized Loss on Refundings			(552)
Total			$ 18,178
Drinking Water State Revolving Fund			
1998A	2019	3.9%-5.00%	$ 5,575
2001	2022	4.00%-5.00%	5,100
Total			10,675
Total Revenue Bonds			$ 28,853

As of June 30, 2004, debt service requirements for principal and interest for the CWSRF and the DWSRF were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
Clean Water State Revolving Fund			
2005	$ 1,185	$ 973	$ 2,158
2006	1,245	913	2,158
2007	1,305	849	2,154
2008	1,370	780	2,150
2009	1,450	706	2,156
2010-2014	7,570	2,260	9,830
2015-2019	3,375	648	4,023
2020-2024	1,230	127	1,357
Total	18,730	7,256	25,986
Drinking Water State Revolving Fund			
2005	415	501	916
2006	440	483	923
2007	455	464	919
2008	475	444	919
2009	495	423	918
2010-2014	2,830	1,746	4,576
2015-2019	3,590	960	4,550
2020-2024	1,975	165	2,140
Total	10,675	5,186	15,861
Total	$ 29,405	$ 12,442	$ 41,847

C. Component Units

1. Housing Development Authority

The Housing Development Authority provides mortgage financing for construction, rehabilitation, and purchase of residential housing and assists in coordinating with federal, state, regional, and local public and private efforts with statewide housing planning. The Authority issues negotiable notes and bonds in amounts authorized by the Governor of South Dakota. Notes and bonds of the Authority do not constitute a debt or liability of the State of South Dakota, or a pledge of the faith and credit of the State. These notes and bonds are payable solely from the revenues or assets of the Authority.

Following is a schedule of bonds, consolidated by category, outstanding at June 30, 2004 (expressed in thousands):

	Maturity Through	Interest Rates	Amount
Home-Ownership Mortgage Program	2004-2034	.95%-8.5%	
Serial Bonds			$ 418,742
Term Bonds			899,305
Plus Unamortized Discount			3,625
Less Unamortized Loss on Refunding			(1,338)
Total			1,320,334
Multifamily Housing Trust Funds	2005-2021	2.4%-5.15%	
Serial Bonds			25,685
Term Bonds			22,830
Less Unamortized Loss on Refunding			(1,101)
Total			47,414
Multifamily Housing Revenue Bonds			
Serial Bonds	2005-2034	1.4%-5.35%	215
Term Bonds			21,835
Total			22,050
Multifamily Mortgage Pass-Through Bonds	2010-2017	3.75%-9.00%	
Term Bonds			15,739
Multifamily Risk Sharing Bonds	2005-2043	3.2%-5.85%	
Serial Bonds			435
Term Bonds			14,150
Total			14,585
Total Bonds			$ 1,420,122

As of June 30, 2004, debt service requirements for principal and interest for the Housing Development Authority were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2005	$ 27,165	$ 57,932	$ 85,097
2006	28,071	57,330	85,401
2007	29,151	56,265	85,416
2008	30,118	55,102	85,220
2009	31,471	53,794	85,265
2010-2014	179,498	245,574	425,072
2015-2019	204,618	196,823	401,441
2020-2024	215,520	141,960	357,480
2025-2029	237,555	81,030	318,585
2030-2034	232,695	32,747	265,442
2035-2039	15,475	15,783	31,258
2040-2044	187,599	11,767	199,366
Total	$ 1,418,936	$ 1,006,107	$ 2,425,043

2. Building Authority

The Authority issues taxable revenue bonds for the Conservation Reserve Enhancement Program (CREP). The CREP involves making loans to certain individuals who have CREP contracts with the Commodity Credit Corporation (CCC) of the U.S. Department of Agriculture. Under this program, certain individuals enter into ten-year contracts with the CCC and receive annual payments for performing specified conservation practices.

Annual CREP payments made to the Authority will be used by the trustee to make the debt service payments on the bonds. Bonds of the Authority do not constitute a debt or liability of the State of South Dakota, or a pledge of the faith and credit of the State. These bonds are payable solely from the revenues or assets of the Authority.

The following is a schedule of bonds outstanding for the CREP Program as of June 30, 2004 (expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
1998A	2009	5.80%-6.50%	$ 4,065

As of June 30, 2004, debt service requirements for principal and interest for the CREP Program were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2005	$ 860	$ 231	$ 1,091
2006	915	175	1,090
2007	970	115	1,085
2008	1,030	52	1,082
2009	260	10	270
2010-2013	30	1	31
Total	$ 4,065	$ 584	$ 4,649

3. South Dakota Economic Development Finance Authority

The Authority was established for the purpose of making loans to businesses for the acquisition and construction of land, buildings, machinery and equipment to spawn economic growth. The Authority is authorized by South Dakota Codified Law to provide sufficient funds for achieving any of its corporate purposes. The total outstanding amount of such notes and bonds shall not exceed $300 million at any time. No obligation issued by the Authority shall constitute debt or liability or obligation of the State of South Dakota, or any political subdivision or a pledge of the faith and credit of the State or any political subdivision.

The Authority issues pooled and stand alone bond issues. A pooled bond issue is secured by the Authority's Capital Reserve Account. A stand alone issue is based solely on the credit of the borrower and the Authority acts only as a conduit to the financing. Therefore, the debt is not included in the accompanying financial statements.

The pooled bond issues require amounts to be deposited into the Capital Reserve Account. The monies on deposit in the Capital Reserve Account are irrevocably pledged to the payment of all outstanding bonds and interest only when and to the extent that other monies are not available. The amount on deposit in the Capital Reserve Account must be equal to 12½% of the related bond principal outstanding. Amounts in excess of the reserve requirements may be transferred to any state fund to be used for other purposes. At June 30, 2004, the balance in the Capital Reserve Account was $5,027,000 and the reserve requirement was $2,500,000.

The following is a schedule of outstanding bonds as of June 30, 2004 (expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
1996A	2009-2016	5.00%-6.75%	$ 1,405
1996C	2006	5.85%	225
1998A	2018	5.50%	685
1998B	2009	7.00%	200
1999	2009-2019	4.95%-5.50%	2,000
2003	2013	3.00%-5.25%	2,400
2004A	2011-2029	4.375%-6.00%	5,000
2004B	2011-2024	4.375%-5.95%	3,500
Total			$ 15,415

As of June 30, 2004, debt service requirements for principal and interest for the South Dakota Economic Development Finance Authority were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2005	$ 740	$ 727	$ 1,467
2006	775	716	1,491
2007	700	683	1,383
2008	720	653	1,373
2009	745	620	1,365
2010-2014	4,090	2,529	6,619
2015-2019	3,200	1,575	4,775
2020-2024	2,570	922	3,492
2025-2029	1,875	394	2,269
Total	$ 15,415	$ 8,819	$ 24,234

4. Higher Education

a. Higher Education Facilities

Revenue bonds were issued for the purpose of constructing buildings. The bonds are payable only from and secured by a pledge of net revenues of the University Housing and Auxiliary Facilities System. Net revenue is defined as gross revenue, less reasonable and necessary costs of currently maintaining, repairing, insuring, and operating the University Housing and Auxiliary Facilities System. Total net revenue pledges for fiscal year 2004 equaled $6,210,070.

Following are revenue bonds outstanding at June 30, 2004 (expressed in thousands):

	Amount
School of Mines and Technology	
2003	$ 7,730
University of South Dakota	
2003	16,145
South Dakota State University	
2004	31,300
Less Deferred Charges	(1,312)
Add Premium on Bonds	1,257
Northern State University	
1984G	130
1998	2,375
Dakota State University	
1984 Refunding	768
1995	2,515
Black Hills State University	
1965C	34
1968D	46
1995	3,420
2004	5,190
Total	$ 69,598

As of June 30, 2004, debt service requirements for principal and interest were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2005	$ 1,930	$ 3,067	$ 4,997
2006	2,457	2,906	5,363
2007	2,452	2,833	5,285
2008	2,554	2,752	5,306
2009	2,621	2,681	5,302
2010-2014	14,315	12,056	26,371
2015-2019	16,974	8,845	25,819
2020-2024	18,110	4,034	22,144
2025-2029	6,400	1,281	7,681
2030-2034	1,840	250	2,090
Total	$ 69,653	$ 40,705	$ 110,358

b. Building Authority

The Authority issues bonds and trust certificates to finance the cost to acquire, construct, remodel, maintain, and equip buildings and other facilities for Higher Education institutions. Lease payments are made from tuition and fees paid by students. The obligations incurred or created by the Building Authority may not be a lien, charge, or liability against the State of South Dakota.

Following is a schedule of bonds and certificates outstanding at June 30, 2004 (expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
Revenue Bonds			
1995A	2015	4.850%-6.250%	$ 1,450
Less Deferred Charges			(225)
1996C	2014	4.100%-5.300%	3,217
1999 Refunding			194
1999 New	2019	4.500%-6.500%	7,060
2000	2025	4.500%-6.500%	6,110
2002	2026	4.40%-5.75%	4,875
2003 Refunding			14,347
Add Premium on Bonds			619
2003A			16,860
Add Premium on Bonds			308
Total Revenue Bonds			54,815
Trust Certificates			
1991B	2013	4.700%-6.625%	1,220
1993B	2005	6.40%-8.00%	2,865
Total Trust Certificates			4,085
Total			$ 58,900

As of June 30, 2004, debt service requirements for principal and interest for the Building Authority (Higher Education portion) were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2005	$ 4,435	$ 2,094	$ 6,529
2006	4,604	1,875	6,479
2007	3,201	1,726	4,927
2008	3,480	1,647	5,127
2009	4,515	2,160	6,675
2010-2014	15,113	6,036	21,149
2015-2019	9,265	4,425	13,690
2020-2024	7,870	2,362	10,232
2025-2029	5,715	641	6,356
Total	$ 58,198	$ 22,966	$ 81,164

Capital Leases

The State has entered into various agreements to lease buildings, vehicles, and equipment. FASB Statement No. 13, "Accounting For Leases", requires a lease that transfers substantially all of the benefits and risks of ownership to the lessee be accounted for as the acquisition of a fixed asset and the incurrence of an obligation by the lessee (a capital lease).

Capital lease obligations are recorded as liabilities in the government-wide and proprietary fund financial statements.

The following schedule is a summary of the future minimum lease payments under capital leases, together with the present value of the net minimum lease payments as of June 30, 2004 (expressed in thousands):

Fiscal Year Ending June 30,	Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Component Units (excluding foundations of Higher Education)	Total
2005	$ 6,046	$ 9	$ 482	$ 6,537
2006	5,338	9	340	5,687
2007	4,315	4	206	4,525
2008	3,664		206	3,870
2009	2,744		206	2,950
2010-2014	12,124		356	12,480
2015-2019	7,540			7,540
2020-2024	6,710			6,710
2025-2029	503			503
Total Minimum Lease Payments	$ 48,984	$ 22	$ 1,796	$ 50,802
Less: Amount Representing Interest	14,255	1	243	14,499
Present Value of Net Minimum Lease Payments	**$ 34,729**	**$ 21**	**$ 1,553**	**$ 36,303**

The historical cost and depreciation of assets acquired under capital leases and included in capital assets on the government-wide financial statements at June 30, 2004 are as follows (expressed in thousands):

	Primary Government: Governmental Activities	Primary Government: Business-Type Activities
Land	$	$ 28
Buildings	41,481	
Equipment	2,857	
Vehicles	11,800	
Total	56,138	28
Less Accumulated Depreciation	14,258	
Total	$ 41,880	$ 28

Conduit Debt Obligations

Conduit debt obligations are certain limited-obligation revenue bonds, certificates of participation, or similar debt instruments issued by state government for the express purpose of providing capital financing for a specific third party that is not a part of the issuer's financial reporting entity. The State has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf they are issued and the debt is not included in the accompanying financial statements.

1. South Dakota Value Added Finance Authority

The South Dakota Value Added Finance Authority provides low interest financing to agricultural enterprises in the State of South Dakota. The loans can be used to acquire agricultural property. The Authority is authorized to issue federal tax-exempt bonds. The bond proceeds are lent to qualifying applicants. The applicant assumes the bond payment obligation to the bond purchaser in the form of a loan with the third party bond purchaser.

As of June 30, 2004, there were 222 Beginning Farmer Bond Program series revenue bonds outstanding. The aggregate principal amount payable on June 30, 2004 could not be determined; however, the original issue amount totaled $25,378,096.

As of June 30, 2004, there were three Agribusiness Bonding Program series revenue bonds outstanding. The aggregate principal amount payable on June 30, 2004 could not be determined; however, the original issue amount totaled $1,220,000.

As of June 30, 2004 there were twelve Agribusiness Relending Loans outstanding. The aggregate principal amount payable at June 30, 2004 could not be determined: however, the original issue amount totaled $733,900.

2. South Dakota Economic Development Finance Authority

The Authority issues tax-exempt debt for the purpose of financing a company's acquisition and construction of land, buildings, machinery, and equipment to spawn economic growth. The bonds are special obligations of the Authority to which the payments paid by the company pursuant to a loan agreement have been and are hereby irrevocably pledged.

As of June 30, 2004, the aggregate amount of stand-alone bond principal outstanding was $24,840,000. The original issue amount of stand-alone bonds totaled $33,175,000.

Refunded Bonds

1. Building Authority

The Building Authority defeased certain refunding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. At June 30, 2004, $48,585,000 of the Building Authority bonds outstanding is considered defeased.

2. Higher Education

On February 25, 2004, the Board of Regents issued $31,300,000 in South Dakota State University Housing Auxiliary Facilities Revenue Bonds, Series 2004 with an average interest rate of 4.1 % to finance new construction as well as refund the Series 1994A (Housing and Auxiliary Facilities) Bonds that had an average interest rate of 4.9 % with unpaid principal balance at the time of the refunding totaling $12,340,000 and 1972 Series E (CH-61 Binnewies & Young Hall) Bonds that had an average interest rate of 3.0 % with unpaid principal balance at the time of the refunding totaling $1,155,000.

A portion of the proceeds of the refunding issue, in the amount of $13,846,380 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service requirements on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from Higher Education's financial statements.

The Board of Regents refunded the debt to reduce its total debt service payments over the next 20 years by $1,946,381.60 and obtain an economic gain of $685,632.15.

3. South Dakota Conservancy District

The South Dakota Conservancy District defeased certain refunding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. At June 30, 2004, $5,360,000 of the South Dakota Conservancy District bonds outstanding is considered defeased. As a result of these advanced refundings, the difference between the reacquisition price and the net carrying amount of the old debt is being amortized over the life of the new bonds. At June 30, 2004, bonds payable is reported net of unamortized charges of $550,769

13. FUNCTIONAL DISTRIBUTION OF HIGHER EDUCATION OPERATING EXPENSES

The operating expenses on the Statement of Revenues, Expenses, and Changes in Net Assets are presented in natural classifications. The following table presents those same expenses in functional classifications as recommended by NACUBO (expressed in thousands):

Function	Personal Services	Travel	Contractual	Supplies & Noncapitalized Equipment	Grants & Subsidies	Interest and Other Expenses	Depreciation
Instruction	$ 109,805	$ 2,095	$ 8,149	$ 5,353	$ 296	$ 19	$ 1,921
Research	28,088	1,908	4,875	7,996	2,821	11	1,792
Public Service	23,822	1,353	5,353	3,742	1,330	60	224
Academic Support	27,002	1,013	3,894	5,367	36	13	3,066
Student Services	16,234	2,374	4,533	3,451	268	621	332
Institutional Support	21,470	723	3,769	3,574	98	731	562
O&M of Plant	11,012	153	12,253	6,589	1	71	1,888
Scholarships and Fellowships	987		66	1	12,833	16	
Auxiliary Enterprises	9,805	66	14,894	11,857	1		1,329
Foundation	2,656	263	450	937	687	7,623	269
Other Expenses						285	
Unallocated Depreciation							8,663
Total	$ 250,881	$ 9,948	$ 58,236	$ 48,867	$ 18,371	$ 9,450	$ 20,046

14. DEFICIT FUND EQUITY

The following individual funds had deficit fund equity at June 30, 2004 (expressed in thousands).

Fund Type/Fund	Deficit
Internal Service:	
Personnel	$ 268
State Worker's Compensation	11,078
Special Revenue:	
Fire Suppression	$ 3,873
Office of History	43
Law Enforcement Revolving	232
School for the Blind and Visually Impaired - Federal	31

15. VOCATIONAL TECHNICAL INSTITUTES

The State primary government has an ongoing financial responsibility for the funding of four technical institutes in the State. The technical institutes are considered part of the local school districts in the district where they are located. By law, the State may adopt rules governing the operation of the technical institutes including curriculum, tuition payments and other charges, and plans for construction or renovation of facilities. During fiscal year 2004, the State provided $14,928,326 in General Fund state aid payments to the technical institutes.

Construction and renovation of facilities is funded with proceeds from debt issued by the Health and Education Facilities Authority. The Health and Educational Facilities Authority was created as a public instrumentality of the State to provide tax-exempt revenue bonds, notes or other obligations on behalf of nonprofit health and educational institutions within the State. Although the State primary government appoints a voting majority of the board, the State's accountability for this organization does not extend beyond making the appointments and is considered a related organization of the State.

The State enters into lease purchase agreements with the Health and Educational Facilities Authority and sub-leases the facilities to the school districts. The State makes lease payments to the Health and Educational Facilities Authority from a combination of General Fund appropriations, interest earnings from a special revenue fund and from student facility fees collected by the technical institutes and remitted to the State. Upon completion of payments under the lease agreements, titles to the facilities pass to the State. The sub-lease agreements with the school districts are then extended annually as long as the school districts pay the State $100 per year and continue to use the facilities for postsecondary vocational education.

Facilities constructed or renovated and the lease purchase agreements between the State and the Health and Educational Facilities Authority are reported under the governmental activities column in the government-wide Statement of Net Assets.

16. RELATED PARTY TRANSACTIONS

The South Dakota Health Research Foundation was created by the Sioux Valley Health Care Systems and the University of South Dakota School of Medicine to facilitate medical research and technology transfer. The University of South Dakota (USD) is a part of Higher Education and is a component unit of the State of South Dakota. The South Dakota Health Research Foundation entered into an operating lease with the Sioux Valley Physicians Partners, a subsidiary of Sioux Valley Health Care Systems, to secure specialized laboratory space, equipment, and related operating support services, including utilities, maintenance, and custodial services. The term of the lease is from October 1, 2002 through September 30, 2008. Throughout the term of the lease, it is estimated that USD will pay $2,432,468 for the laboratory space. Funding for this lease will be provided from indirect costs recovered from USD grants specific to the Cardiovascular Research Institute which operates under the auspices of the South Dakota Health Research Foundation.

17. CONTINGENCIES AND LITIGATION

The State of South Dakota participates in a number of federally assisted grant programs. These programs are subject to audits by the grantors or their representatives. Any disallowance as a result of these audits may become a liability of the State. The State has reimbursed the federal government $4,044,851 for disallowed Title XIX program costs and related interest. The Federal Department of Health and Human Services' Appeals Board upheld this disallowance on September 20, 2002. The State appealed this decision to the federal courts. The federal courts ruled in the State's favor and overturned the decision. The decision was appealed to the Eighth Circuit Court of Appeals. The case has been argued and a decision is pending. Attorneys for the Department are not in the position to express an opinion at this time regarding the likelihood of success or the risk of an unfavorable outcome regarding the case.

The State of South Dakota is party to numerous legal proceedings, many of which occur in the normal course of governmental operation. Adverse judgment of these lawsuits could result in liabilities to the State. Based on prior experience, it is unlikely that the outcome of these claims will materially affect the financial position of the State.

The contingent liabilities at June 30, 2004 are as follows:

The Petroleum Release Compensation Fund (PRCF) provides reimbursement for remediation of sites where a petroleum release has occurred. As of June 30, 2004, PRCF was currently involved with 227 active cases, 221 active/monitoring cases, and 10 pending cases (spill report not yet filed), for a total of 458 cases. Contingent liabilities for the PRCF are $5,800,000 for sites that haven't received any payments.

Burlington Northern and Santa Fe Railway Company v. State of South Dakota. This lawsuit involves the use of the Aberdeen Interchange. The State originally filed suit against Burlington Northern for the right to use that section of track again. This lawsuit is a contract action filed in Circuit Court, Hughes County, in which Burlington Northern is filing suit against the State. Burlington Northern is asking the Court to require the sale of the core railway line pursuant to a purchase option in a contract between Burlington Northern and the State. If the State loses the case, Burlington Northern will be required to pay the State before title to the core line is transferred from the State to Burlington Northern. If the core line is sold, the payment required by the contract to be made to the State is the cost which the State spent to rehabilitate the rail tracks. This amount is still being determined by the South Dakota Department of Transportation. The State's position is that Burlington Northern is in default and is therefore not entitled to execute its purchase option. The case is in discovery. Trial is scheduled for September, 2005. This case is being defended by the Attorney General's Office and private attorneys hired by the Department of Transportation. The attorneys are unable to express any opinion regarding the outcome of the case or the amount of money at issue at this time. If the State does not prevail, there would a significant loss of revenue to the Railroad Trust Fund.

Loren Pourier, dibla Muddy Creek Oil and Gas, Inc., and Muddy Creek Oil and Gas, Inc. v. South Dakota Department of Revenue. Pourier brought a motor fuel tax refund action contesting the payment of taxes accruing from July, 1995 through January, 2000, in the amount of $937,819.75 plus interest which would accrue at the rate of 1.25 % per month. The South Dakota Supreme Court held that the Department of Revenue and Regulations could not impose the State motor fuel tax on an enrolled tribal member or a tribe on Indian country. The court ruled on January 7, 2004, that a fifteen month statute of limitations applies. The case has been remanded to the Circuit Court for additional proceedings. Additional legal proceedings are ongoing at the Circuit Court level. Counsel for the Department of Revenue and

Regulations is vigorously defending this action. If the decision is left standing, the refund amount could have a material impact on the State's General Fund.

Yankton Sioux Tribe v. United States Army Corps of Engineers. The Yankton Sioux Tribe has filed a proposed amendment to its existing complaint in the above-entitled action. The amendment seeks to set aside the transfer of lands to South Dakota Game, Fish & Parks within the 1858 boundary of the Yankton Sioux Reservation already transferred under Title VI and to prohibit the transfer of further lands in the same area under Title VI. The probable worth of the lands and the improvements thereon exceeds $1,000,000. Counsel for the State is of the opinion that the Tribe's attempt to set aside the transfer of lands already made and the attempt to prohibit further transfers is not likely to succeed.

Dakota Systems, Inc. (Verizon Wireless) v. Viken This case concerns a refund request of the telecommunication gross receipts tax of SDCL ch. 10-33A. This matter is currently on appeal to the South Dakota Supreme Court following the denial of a refund request by the Circuit Court. The case was argued on January 11, 2005 and a decision is pending. Counsel for the Department is vigorously defending this action. If the decision is unfavorable, the amount could have a material impact on the State's General Fund.

Metropolitan Life Insurance Company, et al. v. Viken, et al. This case concerns a refund claim for insurance premium taxes. Metropolitan Life, and other related companies, filed an action in Circuit Court, Hughes County, in August, 2004, seeking refund of insurance premium taxes paid by these entities since 1981 totaling a claimed $4,470,000. The insurance companies are challenging the constitutionality of the State's insurance premium credit tax provisions. A motion to dismiss filed by defendants is pending as is a motion filed by Plaintiffs to consolidate the case with pending administrative appeals of denials of claims for reimbursement of premium taxes. No discovery has been conducted as of January 21, 2005. Counsel for Department of Revenue and Regulation are vigorously defending this action on both substantive and procedural grounds. If the decision is unfavorable, it will have a material impact on the State's General Fund.

18. SUBSEQUENT EVENTS

Housing Authority

In October of 2004, the Authority issued $67,000,000 of Homeownership Mortgage Bonds Series 2004 E and F. The Bonds will mature on May 1, 2005, through May 1, 2028, with interest rates from 1.55% to 5.25%.

In October of 2004, the Authority issued $33,000,000 of Homeownership Mortgage Bonds Series 2004 G. The Bonds will mature on May 1, 2034, with a variable rate of interest that is set weekly.

SD Lottery

On August 9, 2004, a transfer of $3,000,000 was made from the Video Lottery Operating Fund to the General Fund based on revenue estimates adopted during the 2004 Legislative session.

Health and Educational Facilities Authority

In December of 2004, the Authority issued $6,265,000 of Vocational Education Program Revenue Bonds Series 2004. The Bonds will mature on August 1, 2005, through August 1, 2023 with interest rates from 3.50% to 4.50%.

Department of Environment and Natural Resources

On July 7, 2004, the South Dakota Conservancy District issued $11,390,000 of Clean Water State Revolving Fund Revenue Bonds Series 2004. The bonds will mature on August 1, 2005 through August 1, 2025, with interest rates from 2.0% to 5.25%. Proceeds from the bonds will fund projects of the Clean Water State Revolving Fund Program.

On July 7, 2004, the South Dakota Conservancy District issued $27,070,000 of Drinking Water State Revolving Fund Revenue Bonds Series 2004. The bonds will mature on August 1, 2005 through August 1, 2025, with interest rates from 2.0% to 5.25%. Proceeds from the bonds will fund projects of the Drinking Water State Revolving Fund Program.

Higher Education

In November 2004, new bonds totaling $12,965,000 were issued by Higher Education. $6,245,000 related to Northern State University with $3,500,000 to be used for new projects and $2,745,000 to refund outstanding bonds, create a debt service reserve and pay debt issuance costs. $3,460,000 was issued for Black Hills State University and $3,260,000 was issued for Dakota State University to refund outstanding bonds, create a debt service reserve and pay debt issuance costs.

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REQUIRED SUPPLEMENTARY INFORMATION

The "Required Supplementary Information" includes the Budgetary Reporting Information. The following individual statements are included:

Budgetary Comparison Schedule – General Fund

Budgetary Comparison Schedule – Transportation Fund

Budgetary Comparison Schedule – Social Services Federal

Budgetary Comparison Schedule Budget-to-GAAP Reconciliation

Notes to Required Supplementary Information – Budgetary Reporting

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2004
(Expressed in Thousands)

Department	BUDGETED AMOUNTS Original	Final	Actual Amounts	Variance with Final Budget
OFFICE OF THE GOVERNOR				
Personal Services	$ 1,542	$ 1,493	$ 1,492	$ 1
Operating Expenses	842	892	892	0
TOTAL	2,384	2,385	2,384	1
GOVERNOR'S CONTINGENCY FUND				
Personal Services	0	0	0	0
Operating Expenses	100	100	99	1
TOTAL	100	100	99	1
LIEUTENANT GOVERNOR				
Personal Services	16	16	16	0
Operating Expenses	14	14	14	0
TOTAL	30	30	30	0
BUREAU OF FINANCE AND MANAGEMENT				
Personal Services	618	518	517	1
Operating Expenses	159	258	258	0
TOTAL	777	776	775	1
SALE LEASEBACK, B.F.M.				
Personal Services	0	0	0	0
Operating Expenses	11,624	11,624	11,624	0
TOTAL	11,624	11,624	11,624	0
ADMINISTRATIVE SERVICES, BUREAU OF ADMINISTRATION				
Personal Services	0	0	0	0
Operating Expenses	724	724	644	80
TOTAL	724	724	644	80
SALE LEASEBACK, B.O.A.				
Personal Services	0	0	0	0
Operating Expenses	850	850	850	0
TOTAL	850	850	850	0
CENTRAL SERVICES				
Personal Services	168	129	129	0
Operating Expenses	160	154	154	0
TOTAL	328	283	283	0
STATE ENGINEER				
Personal Services	0	0	0	0
Operating Expenses	5	0	0	0
TOTAL	5	0	0	0
STATEWIDE MAINTENANCE & REPAIR				
Personal Services	0	0	0	0
Operating Expenses	2,000	2,092	1,972	120
TOTAL	2,000	2,092	1,972	120

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2004
(Expressed in Thousands)

Department	BUDGETED AMOUNTS Original	Final	Actual Amounts	Variance with Final Budget
OFFICE OF HEARING EXAMINERS				
Personal Services	271	263	263	0
Operating Expenses	87	52	51	1
TOTAL	358	315	314	1
PEPL FUND ADMINISTRATION - INFORMATIONAL				
Personal Services	0	0	0	0
Operating Expenses	0	1,650	1,650	0
TOTAL	0	1,650	1,650	0
SOUTH DAKOTA PUBLIC BROADCASTING				
Personal Services	2,201	2,201	2,201	0
Operating Expenses	1,483	1,483	1,483	0
TOTAL	3,684	3,684	3,684	0
STATE RADIO ENGINEERING				
Personal Services	522	422	409	13
Operating Expenses	848	948	948	0
TOTAL	1,370	1,370	1,357	13
PERSONNEL MANAGEMENT & EMPLOYEE BENEFITS				
Personal Services	327	297	295	2
Operating Expenses	59	89	89	0
TOTAL	386	386	384	2
SOUTH DAKOTA RISK POOL				
Personal Services	0	22	21	1
Operating Expenses	500	478	478	0
TOTAL	500	500	499	1
DEPARTMENT TOTAL, EXECUTIVE MANAGEMENT				
Personal Services	5,664	5,361	5,344	17
Operating Expenses	19,455	21,408	21,205	203
TOTAL	25,119	26,769	26,549	220
SECRETARIAT				
Personal Services	95	95	90	5
Operating Expenses	53	53	38	15
TOTAL	148	148	128	20
PROPERTY AND SPECIAL TAXES				
Personal Services	534	534	501	33
Operating Expenses	1,179	1,179	827	352
TOTAL	1,713	1,713	1,328	385
DEPARTMENT TOTAL, REVENUE				
Personal Services	629	629	591	38
Operating Expenses	1,232	1,232	864	368
TOTAL	1,861	1,861	1,455	406

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2004
(Expressed in Thousands)

Department	BUDGETED AMOUNTS Original	Final	Actual Amounts	Variance with Final Budget
ADMINISTRATION, SECRETARY OF AGRICULTURE				
Personal Services	405	345	342	3
Operating Expenses	244	200	173	27
TOTAL	649	545	515	30
AGRICULTURAL SERVICES				
Personal Services	646	606	606	0
Operating Expenses	258	358	356	2
TOTAL	904	964	962	2
AGRICULTURAL DEVELOPMENT				
Personal Services	61	61	61	0
Operating Expenses	8	8	8	0
TOTAL	69	69	69	0
RESOURCE CONSERVATION & FORESTRY				
Personal Services	468	448	448	0
Operating Expenses	245	245	239	6
TOTAL	713	693	687	6
FIRE SUPPRESSION				
Personal Services	419	439	439	0
Operating Expenses	570	2,703	2,697	6
TOTAL	989	3,142	3,136	6
STATE FAIR				
Personal Services	0	0	0	0
Operating Expenses	0	1,405	1,405	0
TOTAL	0	1,405	1,405	0
ANIMAL INDUSTRY BOARD				
Personal Services	1,227	1,227	1,227	0
Operating Expenses	287	287	287	0
TOTAL	1,514	1,514	1,514	0
DEPARTMENT TOTAL, AGRICULTURE				
Personal Services	3,225	3,125	3,122	3
Operating Expenses	1,612	5,206	5,166	40
TOTAL	4,837	8,331	8,288	43
GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT				
Personal Services	1,404	1,271	1,251	20
Operating Expenses	961	1,094	1,088	6
TOTAL	2,365	2,365	2,339	26

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2004
(Expressed in Thousands)

Department	BUDGETED AMOUNTS Original	Final	Actual Amounts	Variance with Final Budget
TRIBAL GOVERNMENT RELATIONS				
Personal Services	107	101	85	16
Operating Expenses	24	29	29	0
TOTAL	131	130	114	16
ARTS				
Personal Services	178	178	178	0
Operating Expenses	354	354	354	0
TOTAL	532	532	532	0
HISTORY				
Personal Services	1,072	1,051	1,043	8
Operating Expenses	1,508	1,529	1,529	0
TOTAL	2,580	2,580	2,572	8
SD SCIENCE & TECH AUTHORITY				
Personal Services	0	0	0	0
Operating Expenses	0	14,300	14,300	0
TOTAL	0	14,300	14,300	0
DEPARTMENT TOTAL, TOURISM & STATE DEVELOPMENT				
Personal Services	2,761	2,601	2,557	44
Operating Expenses	2,847	17,307	17,301	6
TOTAL	5,608	19,908	19,858	50
CONSERVATION RESERVE ENHANCEMENT PROGRAM				
Personal Services	0	0	0	0
Operating Expenses	1,153	1,153	1,153	0
TOTAL	1,153	1,153	1,153	0
ADMINISTRATION, SECRETARY OF GAME, FISH & PARKS				
Personal Services	70	70	70	0
Operating Expenses	278	278	278	0
TOTAL	348	348	348	0
PARKS & RECREATION				
Personal Services	2,512	2,512	2,512	0
Operating Expenses	75	75	75	0
TOTAL	2,587	2,587	2,587	0
DEVELOPMENT & IMPROVEMENT, PARKS & RECREATION				
Personal Services	0	0	0	0
Operating Expenses	166	166	115	51
TOTAL	166	166	115	51
CUSTER STATE PARK				
Personal Services	0	0	0	0
Operating Expenses	370	370	369	1
TOTAL	370	370	369	1

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2004
(Expressed in Thousands)

Department	BUDGETED AMOUNTS Original	Final	Actual Amounts	Variance with Final Budget
CAPITAL DEVELOPMENT, CUSTER STATE PARK				
Personal Services	0	0	0	0
Operating Expenses	128	128	78	50
TOTAL	128	128	78	50
DEPARTMENT TOTAL, GAME, FISH & PARKS				
Personal Services	2,581	2,581	2,581	0
Operating Expenses	2,170	2,170	2,067	103
TOTAL	4,751	4,751	4,648	103
ADMINISTRATION, SECRETARY OF SOCIAL SERVICES				
Personal Services	1,206	1,206	1,206	0
Operating Expenses	2,881	2,941	2,941	0
TOTAL	4,087	4,147	4,147	0
PROGRAM MANAGEMENT				
Personal Services	1,345	1,345	1,345	0
Operating Expenses	69	69	69	0
TOTAL	1,414	1,414	1,414	0
ECONOMIC ASSISTANCE				
Personal Services	4,867	4,827	4,827	0
Operating Expenses	14,888	12,828	12,828	0
TOTAL	19,755	17,655	17,655	0
MEDICAL SERVICES				
Personal Services	455	425	420	5
Operating Expenses	83,685	88,545	88,361	184
TOTAL	84,140	88,970	88,781	189
CHILD SUPPORT ENFORCEMENT				
Personal Services	37	27	27	0
Operating Expenses	34	44	44	0
TOTAL	71	71	71	0
ADULT SERVICES & AGING				
Personal Services	1,326	1,326	1,326	0
Operating Expenses	49,324	45,085	45,074	11
TOTAL	50,650	46,411	46,400	11
CHILD PROTECTION SERVICES				
Personal Services	3,840	3,880	3,880	0
Operating Expenses	9,667	9,256	9,256	0
TOTAL	13,507	13,136	13,136	0
CHILD CARE SERVICES				
Personal Services	368	342	342	0
Operating Expenses	882	908	908	0
TOTAL	1,250	1,250	1,250	0

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2004
(Expressed in Thousands)

Department	BUDGETED AMOUNTS Original	Final	Actual Amounts	Variance with Final Budget
DEPARTMENT TOTAL, SOCIAL SERVICES				
Personal Services	13,445	13,379	13,373	6
Operating Expenses	161,430	159,675	159,481	194
TOTAL	174,875	173,054	172,854	200
ADMINISTRATION, SECRETARY OF HEALTH				
Personal Services	678	563	563	0
Operating Expenses	661	601	601	0
TOTAL	1,339	1,164	1,164	0
FAMILY PRACTICE RESIDENCY PROGRAM				
Personal Services	0	0	0	0
Operating Expenses	895	895	895	0
TOTAL	895	895	895	0
HEALTH SYSTEMS DEVELOPMENT AND REGULATION				
Personal Services	1,192	1,232	1,232	0
Operating Expenses	769	944	942	2
TOTAL	1,961	2,176	2,174	2
HEALTH AND MEDICAL SERVICES				
Personal Services	1,410	1,341	1,341	0
Operating Expenses	2,474	2,503	2,503	0
TOTAL	3,884	3,844	3,844	0
DEPARTMENT TOTAL, HEALTH				
Personal Services	3,280	3,136	3,136	0
Operating Expenses	4,799	4,943	4,941	2
TOTAL	8,079	8,079	8,077	2
ADMINISTRATION, SECRETARY OF LABOR				
Personal Services	0	0	0	0
Operating Expenses	200	200	200	0
TOTAL	200	200	200	0
STATE LABOR LAW ADMINISTRATION				
Personal Services	486	486	458	28
Operating Expenses	101	101	82	19
TOTAL	587	587	540	47
ADMINISTRATION, PUBLIC UTILITIES COMMISSION				
Personal Services	162	454	418	36
Operating Expenses	83	83	57	26
TOTAL	245	537	475	62
DEPARTMENT TOTAL, LABOR				
Personal Services	649	941	875	66
Operating Expenses	384	384	339	45
TOTAL	1,033	1,325	1,214	111

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2004
(Expressed in Thousands)

Department	BUDGETED AMOUNTS Original	Final	Actual Amounts	Variance with Final Budget
GENERAL OPERATIONS				
Personal Services	240	305	305	0
Operating Expenses	236	171	171	0
TOTAL	476	476	476	0
DEPARTMENT TOTAL, TRANSPORTATION				
Personal Services	240	305	305	0
Operating Expenses	236	171	171	0
TOTAL	476	476	476	0
ADMINISTRATION, SECRETARY OF EDUCATION				
Personal Services	951	956	849	107
Operating Expenses	589	727	727	0
TOTAL	1,540	1,683	1,576	107
STATE AID TO GENERAL EDUCATION				
Personal Services	0	0	0	0
Operating Expenses	278,071	230,991	230,991	0
TOTAL	278,071	230,991	230,991	0
STATE AID TO SPECIAL EDUCATION				
Personal Services	0	0	0	0
Operating Expenses	42,834	41,467	41,467	0
TOTAL	42,834	41,467	41,467	0
ALTERNATIVE EDUCATION PROGRAM				
Personal Services	0	0	0	0
Operating Expenses	450	450	450	0
TOTAL	450	450	450	0
NATIONAL BOARD CERTIFIED TEACHERS				
Personal Services	0	0	0	0
Operating Expenses	60	60	25	35
TOTAL	60	60	25	35
EDUCATION ENHANCEMENT DISTRIBUTION				
Personal Services	0	0	0	0
Operating Expenses	0	1,845	1,845	0
TOTAL	0	1,845	1,845	0
TECHNOLOGY IN SCHOOLS				
Personal Services	0	0	0	0
Operating Expenses	14,967	13,415	13,122	293
TOTAL	14,967	13,415	13,122	293
WORKFORCE AND CAREER PREPARATION				
Personal Services	329	329	329	0
Operating Expenses	92	92	92	0
TOTAL	421	421	421	0

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2004
(Expressed in Thousands)

Department	BUDGETED AMOUNTS Original	Final	Actual Amounts	Variance with Final Budget
POST-SECONDARY VOCATIONAL EDUCATION				
Personal Services	0	0	0	0
Operating Expenses	15,752	16,102	16,102	0
TOTAL	15,752	16,102	16,102	0
EDUCATION SERVICES AND RESOURCES				
Personal Services	0	0	0	0
Operating Expenses	908	908	908	0
TOTAL	908	908	908	0
ED RESOURCES				
Personal Services	896	892	878	14
Operating Expenses	4,745	4,552	4,552	0
TOTAL	5,641	5,444	5,430	14
STATE LIBRARY				
Personal Services	1,032	1,032	968	64
Operating Expenses	1,013	1,068	1,068	0
TOTAL	2,045	2,100	2,036	64
DEPARTMENT TOTAL, EDUCATION				
Personal Services	3,209	3,209	3,024	185
Operating Expenses	359,483	311,678	311,350	328
TOTAL	362,692	314,887	314,374	513
ADMINISTRATION, SECRETARY OF PUBLIC SAFETY				
Personal Services	26	26	23	3
Operating Expenses	12	12	12	0
TOTAL	38	38	35	3
ENFORCEMENT				
Personal Services	1,369	1,369	1,368	1
Operating Expenses	141	141	113	28
TOTAL	1,510	1,510	1,481	29
EMERGENCY MANAGEMENT				
Personal Services	946	946	805	141
Operating Expenses	2,184	3,328	2,127	1,201
TOTAL	3,130	4,274	2,932	1,342
INSPECTION AND LICENSING				
Personal Services	43	43	36	7
Operating Expenses	433	433	429	4
TOTAL	476	476	465	11
DEPARTMENT TOTAL, PUBLIC SAFETY				
Personal Services	2,384	2,384	2,232	152
Operating Expenses	2,769	3,914	2,680	1,234
TOTAL	5,153	6,298	4,912	1,386

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2004
(Expressed in Thousands)

Department	BUDGETED AMOUNTS Original	Final	Actual Amounts	Variance with Final Budget
REGENTS SYSTEM OFFICE				
Personal Services	2,636	2,451	2,451	0
Operating Expenses	3,476	3,661	3,661	0
TOTAL	6,112	6,112	6,112	0
BASE FUNDING				
Personal Services	0	0	0	0
Operating Expenses	0	650	650	0
TOTAL	0	650	650	0
UNIVERSITY OF SOUTH DAKOTA PROPER				
Personal Services	26,332	26,447	26,447	0
Operating Expenses	1,603	1,489	1,489	0
TOTAL	27,935	27,936	27,936	0
UNIVERSITY OF SOUTH DAKOTA SCHOOL OF MEDICINE				
Personal Services	12,965	10,640	10,640	0
Operating Expenses	515	3,172	3,144	28
TOTAL	13,480	13,812	13,784	28
SOUTH DAKOTA STATE UNIVERSITY PROPER				
Personal Services	35,033	35,157	35,157	0
Operating Expenses	2,740	2,616	2,616	0
TOTAL	37,773	37,773	37,773	0
COOPERATIVE EXTENSION SERVICE				
Personal Services	6,784	6,541	6,541	0
Operating Expenses	383	626	626	0
TOTAL	7,167	7,167	7,167	0
AGRICULTURAL EXPERIMENT STATION				
Personal Services	8,507	8,267	8,267	0
Operating Expenses	523	763	763	0
TOTAL	9,030	9,030	9,030	0
SOUTH DAKOTA SCHOOL OF MINES & TECHNOLOGY				
Personal Services	10,040	10,169	10,169	0
Operating Expenses	1,375	1,246	1,246	0
TOTAL	11,415	11,415	11,415	0
NORTHERN STATE UNIVERSITY				
Personal Services	9,054	9,118	9,118	0
Operating Expenses	1,113	1,048	1,048	0
TOTAL	10,167	10,166	10,166	0
BLACK HILLS STATE UNIVERSITY				
Personal Services	6,436	6,437	6,437	0
Operating Expenses	891	891	891	0
TOTAL	7,327	7,328	7,328	0

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2004
(Expressed in Thousands)

Department	BUDGETED AMOUNTS Original	Final	Actual Amounts	Variance with Final Budget
DAKOTA STATE UNIVERSITY				
Personal Services	5,928	5,772	5,772	0
Operating Expenses	470	626	626	0
TOTAL	6,398	6,398	6,398	0
SOUTH DAKOTA SCHOOL FOR THE DEAF				
Personal Services	2,718	2,570	2,570	0
Operating Expenses	373	521	518	3
TOTAL	3,091	3,091	3,088	3
SOUTH DAKOTA SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED				
Personal Services	2,102	1,958	1,958	0
Operating Expenses	138	283	283	0
TOTAL	2,240	2,241	2,241	0
DEPARTMENT TOTAL, BOARD OF REGENTS				
Personal Services	128,536	125,526	125,526	0
Operating Expenses	13,601	17,593	17,561	32
TOTAL	142,137	143,119	143,087	32
ADJUTANT GENERAL				
Personal Services	248	248	237	11
Operating Expenses	262	258	234	24
TOTAL	510	506	471	35
ARMY GUARD				
Personal Services	669	641	639	2
Operating Expenses	914	942	936	6
TOTAL	1,583	1,583	1,575	8
AIR GUARD				
Personal Services	142	144	143	1
Operating Expenses	144	146	146	0
TOTAL	286	290	289	1
VETERANS' BENEFITS & SERVICES				
Personal Services	634	634	601	33
Operating Expenses	315	4,522	301	4,221
TOTAL	949	5,156	902	4,254
STATE VETERAN'S HOME				
Personal Services	1,051	1,051	1,051	0
Operating Expenses	431	431	431	0
TOTAL	1,482	1,482	1,482	0
DEPARTMENT TOTAL, MILITARY & VETERANS AFFAIRS				
Personal Services	2,744	2,717	2,671	46
Operating Expenses	2,066	6,299	2,049	4,250
TOTAL	4,810	9,016	4,720	4,296

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2004
(Expressed in Thousands)

Department	BUDGETED AMOUNTS Original	Final	Actual Amounts	Variance with Final Budget
ADMINISTRATION, CENTRAL OFFICE				
Personal Services	1,365	1,392	1,389	3
Operating Expenses	9,753	14,161	12,484	1,677
TOTAL	11,118	15,553	13,873	1,680
SPRINGFIELD CORRECTIONAL FACILITY				
Personal Services	7,131	6,999	6,999	0
Operating Expenses	3,592	3,492	3,492	0
TOTAL	10,723	10,491	10,491	0
STATE PENITENTIARY				
Personal Services	11,311	10,891	10,890	1
Operating Expenses	4,645	4,546	4,541	5
TOTAL	15,956	15,437	15,431	6
WOMEN'S PRISON				
Personal Services	1,729	1,700	1,700	0
Operating Expenses	855	885	885	0
TOTAL	2,584	2,585	2,585	0
COMMUNITY SERVICE				
Personal Services	0	0	0	0
Operating Expenses	324	352	352	0
TOTAL	324	352	352	0
PAROLE SERVICES				
Personal Services	1,794	1,775	1,775	0
Operating Expenses	596	644	644	0
TOTAL	2,390	2,419	2,419	0
JUVENILE COMMUNITY CORRECTIONS				
Personal Services	1,647	1,527	1,523	4
Operating Expenses	7,403	7,371	7,371	0
TOTAL	9,050	8,898	8,894	4
STATE TRAINING SCHOOL				
Personal Services	0	0	0	0
Operating Expenses	0	97	97	0
TOTAL	0	97	97	0
LIVING CENTER				
Personal Services	1,370	1,393	1,391	2
Operating Expenses	122	78	78	0
TOTAL	1,492	1,471	1,469	2
BOOT CAMP				
Personal Services	1,819	1,691	1,688	3
Operating Expenses	120	108	108	0
TOTAL	1,939	1,799	1,796	3

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2004
(Expressed in Thousands)

Department	BUDGETED AMOUNTS Original	Final	Actual Amounts	Variance with Final Budget
CUSTER YOUTH CORRECTIONS CENTER				
Personal Services	1,519	1,725	1,725	0
Operating Expenses	1,892	1,859	1,859	0
TOTAL	3,411	3,584	3,584	0
CYCC EAST CAMPUS				
Personal Services	104	104	104	0
Operating Expenses	140	165	165	0
TOTAL	244	269	269	0
DEPARTMENT TOTAL, CORRECTIONS				
Personal Services	29,790	29,198	29,185	13
Operating Expenses	29,441	33,757	32,075	1,682
TOTAL	59,231	62,955	61,260	1,695
ADMINISTRATION, SECRETARY OF HUMAN SERVICES				
Personal Services	596	596	596	0
Operating Expenses	148	148	148	0
TOTAL	744	744	744	0
DEVELOPMENTAL DISABILITIES				
Personal Services	393	328	328	0
Operating Expenses	25,426	23,498	23,498	0
TOTAL	25,819	23,826	23,826	0
SOUTH DAKOTA DEVELOPMENTAL CENTER - REDFIELD				
Personal Services	5,551	5,089	5,089	0
Operating Expenses	1,745	1,673	1,673	0
TOTAL	7,296	6,762	6,762	0
ALCOHOL & DRUG ABUSE				
Personal Services	1,207	1,180	1,180	0
Operating Expenses	2,180	2,607	2,607	0
TOTAL	3,387	3,787	3,787	0
REHABILITATION SERVICES				
Personal Services	639	569	569	0
Operating Expenses	2,747	2,976	2,976	0
TOTAL	3,386	3,545	3,545	0
SERVICES TO THE BLIND & VISUALLY IMPAIRED				
Personal Services	427	347	347	0
Operating Expenses	410	327	327	0
TOTAL	837	674	674	0
HUMAN SERVICES CENTER				
Personal Services	17,014	16,807	16,807	0
Operating Expenses	8,549	8,044	8,044	0
TOTAL	25,563	24,851	24,851	0

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2004
(Expressed in Thousands)

Department	BUDGETED AMOUNTS Original	Final	Actual Amounts	Variance with Final Budget
COMMUNITY MENTAL HEALTH				
Personal Services	791	728	728	0
Operating Expenses	10,497	10,221	10,221	0
TOTAL	11,288	10,949	10,949	0
DEPARTMENT TOTAL, HUMAN SERVICES				
Personal Services	26,617	25,643	25,643	0
Operating Expenses	51,703	49,494	49,494	0
TOTAL	78,320	75,137	75,137	0
FINANCIAL AND TECHNICAL ASSISTANCE				
Personal Services	1,593	1,593	1,545	48
Operating Expenses	427	427	343	84
TOTAL	2,020	2,020	1,888	132
ENVIRONMENTAL SERVICES				
Personal Services	2,896	2,896	2,807	89
Operating Expenses	780	780	772	8
TOTAL	3,676	3,676	3,579	97
DEPARTMENT TOTAL, ENVIRONMENT & NATURAL RESOURCES				
Personal Services	4,488	4,488	4,352	136
Operating Expenses	1,207	1,207	1,115	92
TOTAL	5,695	5,695	5,467	228
UNIFIED JUDICIAL SYSTEM				
Personal Services	23,326	23,368	23,330	38
Operating Expenses	3,597	3,555	3,550	5
TOTAL	26,923	26,923	26,880	43
DEPARTMENT TOTAL, UNIFIED JUDICIAL SYSTEM				
Personal Services	23,326	23,368	23,330	38
Operating Expenses	3,597	3,555	3,550	5
TOTAL	26,923	26,923	26,880	43
LEGISLATIVE OPERATIONS				
Personal Services	59	59	59	0
Operating Expenses	84	84	80	4
Appropriations	4,338	4,338	4,193	145
TOTAL	4,481	4,481	4,332	149
LEGISLATIVE AUDIT				
Personal Services	2,120	2,120	2,074	46
Operating Expenses	321	321	305	16
Appropriations	0	0	0	0
TOTAL	2,441	2,441	2,379	62

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2004
(Expressed in Thousands)

Department	BUDGETED AMOUNTS Original	Final	Actual Amounts	Variance with Final Budget
DEPARTMENT TOTAL, LEGISLATIVE DEPARTMENT				
Personal Services	2,179	2,179	2,133	46
Operating Expenses	404	404	385	19
Appropriations	4,338	4,338	4,193	145
TOTAL	6,921	6,921	6,711	210
LEGAL SERVICES				
Personal Services	2,811	2,811	2,811	0
Operating Expenses	411	411	409	2
TOTAL	3,222	3,222	3,220	2
CRIMINAL INVESTIGATION				
Personal Services	1,386	1,386	1,383	3
Operating Expenses	631	7,652	1,065	6,587
TOTAL	2,017	9,038	2,448	6,590
DEPARTMENT TOTAL, ATTORNEY GENERAL				
Personal Services	4,198	4,198	4,195	3
Operating Expenses	1,042	8,063	1,474	6,589
TOTAL	5,240	12,261	5,669	6,592
ADMINISTRATION OF SCHOOL AND PUBLIC LANDS				
Personal Services	375	375	375	0
Operating Expenses	109	109	109	0
TOTAL	484	484	484	0
DEPARTMENT TOTAL, SCHOOL AND PUBLIC LANDS				
Personal Services	375	375	375	0
Operating Expenses	109	109	109	0
TOTAL	484	484	484	0
SECRETARY OF STATE				
Personal Services	573	573	568	5
Operating Expenses	344	344	338	6
TOTAL	917	917	906	11
DEPARTMENT TOTAL, SECRETARY OF STATE				
Personal Services	573	573	568	5
Operating Expenses	344	344	338	6
TOTAL	917	917	906	11
TREASURY MANAGEMENT				
Personal Services	267	266	266	0
Operating Expenses	195	197	194	3
TOTAL	462	463	460	3

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2004
(Expressed in Thousands)

Department	BUDGETED AMOUNTS Original	Final	Actual Amounts	Variance with Final Budget
DEPARTMENT TOTAL, STATE TREASURER				
Personal Services	267	266	266	0
Operating Expenses	195	197	194	3
TOTAL	462	463	460	3
STATE AUDITOR				
Personal Services	810	802	795	7
Operating Expenses	120	128	128	0
TOTAL	930	930	923	7
DEPARTMENT TOTAL, STATE AUDITOR				
Personal Services	810	802	795	7
Operating Expenses	120	128	128	0
TOTAL	930	930	923	7
STATE TOTAL				
Personal Services	261,970	256,984	256,179	805
Operating Expenses	660,246	649,238	634,037	15,201
Appropriations	4,338	4,338	4,193	145
TOTAL	$ 926,554	$ 910,560	$ 894,409	$ 16,151

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
TRANSPORTATION FUND
For the Fiscal Year Ended June 30, 2004
(Expressed in Thousands)

Department	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
GENERAL OPERATIONS				
Personal Services	$ 50,493	$ 50,493	$ 46,397	$ 4,096
Operating Expenses	72,032	72,813	66,321	6,492
TOTAL	122,525	123,306	112,718	10,588
CONTRACT CONSTRUCTION				
Personal Services	-	-	-	-
Operating Expenses	306,356	306,356	279,892	26,464
TOTAL	306,356	306,356	279,892	26,464
ENFORCEMENT				
Personal Services	11,805	11,809	11,071	738
Operating Expenses	3,754	3,754	3,659	95
TOTAL	15,559	15,563	14,730	833
FUND TOTAL, TRANSPORTATION				
Personal Services	62,298	62,302	57,468	4,834
Operating Expenses	382,142	382,923	349,872	33,051
TOTAL	$ 444,440	$ 445,225	$ 407,340	$ 37,885

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES FEDERAL
For the Fiscal Year Ended June 30, 2004
(Expressed in Thousands)

Department	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
ADMINISTRATION, SECRETARY OF SOCIAL SERVICES				
Personal Services	$ 1,502	$ 1,502	$ 1,349	$ 153
Operating Expenses	7,980	7,980	7,954	26
TOTAL	9,482	9,482	9,303	179
PROGRAM MANAGEMENT				
Personal Services	1,909	1,789	1,727	62
Operating Expenses	512	527	518	9
TOTAL	2,421	2,316	2,245	71
ENERGY ASSISTANCE AND WEATHERIZATION				
Personal Services	449	449	401	48
Operating Expenses	16,424	16,424	15,695	729
TOTAL	16,873	16,873	16,096	777
ECONOMIC ASSISTANCE				
Personal Services	6,597	6,512	6,387	125
Operating Expenses	12,747	12,747	11,926	821
TOTAL	19,344	19,259	18,313	946
MEDICAL SERVICES				
Personal Services	816	921	921	-
Operating Expenses	223,429	245,828	241,616	4,212
TOTAL	224,245	246,749	242,537	4,212
CHILD SUPPORT ENFORCEMENT				
Personal Services	2,387	2,472	2,464	8
Operating Expenses	1,964	1,964	1,914	50
TOTAL	4,351	4,436	4,378	58
ADULT SERVICES & AGING				
Personal Services	3,119	3,119	3,062	57
Operating Expenses	99,033	99,033	96,850	2,183
TOTAL	102,152	102,152	99,912	2,240
CHILD PROTECTION SERVICES				
Personal Services	6,555	6,555	6,435	120
Operating Expenses	20,770	22,470	21,514	956
TOTAL	27,325	29,025	27,949	1,076
CHILD CARE SERVICES				
Personal Services	701	701	636	65
Operating Expenses	13,832	13,832	12,756	1,076
TOTAL	14,533	14,533	13,392	1,141
DEPARTMENT TOTAL, SOCIAL SERVICES				
Personal Services	24,035	24,020	23,382	638
Operating Expenses	396,691	420,805	410,743	10,062
TOTAL	$ 420,726	$ 444,825	$ 434,125	$ 10,700

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION
For the Fiscal Year Ended June 30, 2004
(Expressed in Thousands)

	General Fund	Transportation Fund	Social Services Federal Fund
Uses/Outflows of resources			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	$894,409	$407,340	$434,125
Differences-budget to GAAP:			
Encumbrances for supplies, equipment ordered but not yet received and for uncompleted contracts are reported in the year first encumbered for budgetary purposes,but expendituresare reported in the year the related expenditure is incurredor financial reporting purposes.	(17,060)	(4,900)	(106)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(20,410)		
To Adjust Expenditures/Expenses for Accruals	965	(8,455)	37,228
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	$857,904	$393,985	$471,247

Required Supplementary Information
Notes to Required Supplementary Information - Budgetary Reporting

The Budgetary Comparison Schedule presents comparisons of the original budget and legally revised final budget, with actual amounts for each program of the state of South Dakota on a budgetary basis. A Budgetary Comparison Schedule is presented for the general fund and for each special revenue fund that has a legally adopted annual budget. There are currently two special revenue fund's that fit this criterion: the Social Services Federal Fund and the Transportation Fund. Also included is a column that compares the variance between the final budget and actual amounts. A positive variance refers to unused budget, while a negative variance refers to an overexpended budget. For the year ended June 30, 2004, there were no budgetary programs in which expenditures exceeded appropriations.

The original budget is defined as the first complete appropriated budget, adjusted by reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes before the beginning of the fiscal year. Any such transaction that is authorized as legislative or executive change before the beginning of the fiscal year is included in the original budget, regardless of the effective date of the document loaded on the accounting system. The original budget also includes any actual appropriation amounts carried forward by law from prior years, including special appropriations, maintenance and repair, and carryovers. The final budget is defined as the original budget, adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes after the beginning of the fiscal year.

The Budgetary Comparison Schedule reports amounts on a budgetary basis. The accounting principles applied for reporting on a budgetary basis differ from those used to present the financial statements in accordance with Generally Accepted Accounting Principles (GAAP). Since the budget is prepared principally on a cash basis, the Budgetary Comparison Schedule includes information presented on this basis for the fiscal year. A reconciliation of the two methods for the fiscal year ended June 30, 2004 has also been included as Required Supplementary Information.

COMBINING FINANCIAL STATEMENTS

The "Combining Financial Statements" include the Nonmajor Governmental Funds, Nonmajor Enterprise Funds, Internal Service Funds and Fiduciary Funds. The following individual statements are included:

Combining Balance Sheet – Nonmajor Governmental Funds – By Type

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds – By Type

Combining Balance Sheet – Nonmajor Special Revenue Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds

Combining Balance Sheet – Nonmajor Debt Service Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Debt Service Funds

Combining Statement of Net Assets – Nonmajor Enterprise Funds

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Nonmajor Enterprise Funds

Combining Statement of Cash Flows – Nonmajor Enterprise Funds

Combining Statement of Net Assets – Internal Service Funds

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds

Combining Statement of Cash Flows – Internal Service Funds

Combining Statement of Fiduciary Net Assets – Pension Trust Funds

Combining Statement of Changes in Fiduciary Net Assets – Pension Trust Funds

Combining Statement of Fiduciary Net Assets – Private Purpose Trust Funds

Combining Statement of Changes in Fiduciary Net Assets – Private Purpose Trust Funds

Combining Statement of Fiduciary Net Assets – Agency Funds

Combining Statement of Changes in Assets and Liabilities – Agency Funds

STATE OF SOUTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - BY TYPE
June 30, 2004
(Expressed in Thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent	Total
Assets					
Cash and Cash Equivalents	$ 352,737	$ 821	$ 518	$ 284	$ 354,360
Investments	90,159	104,142		24,611	218,912
Securities Lending Collateral	66,174		257	3,857	70,288
Receivables From:					
Taxes (Net)	4,370				4,370
Interest and Dividends	1,518	108	2	122	1,750
Other Funds	9,266				9,266
Component Units	40				40
Other Governments	55,973				55,973
Loans and Notes (Net)	21,328			3	21,331
Other (Net)	6,491			72	6,563
Inventory	1,883				1,883
Deferred Fiscal Charges and Other Assets	453	11,125			11,578
Total Assets	$ 610,392	$ 116,196	$ 777	$ 28,949	$ 756,314
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable and Other Liabilities	$ 28,954	$ 1	$	$	$ 28,955
Payable To:					
Other Funds	18,156		100	4	18,260
Component Units	920				920
Other Governments	32,886				32,886
Claims, Judgments and Compensated Absences	66				66
Deferred Revenue	35,022	11,112			46,134
Securities Lending Collateral Liability	66,174		257	3,857	70,288
Total Liabilities	182,178	11,113	357	3,861	197,509
Fund Balances:					
Reserved For:					
Encumbrances	9,790				9,790
Inventories	1,883				1,883
Debt Service		105,083			105,083
Environmental Projects	10,000				10,000
School Perpetuity				25,088	25,088
Noncurrent Assets	21,457				21,457
Indemnification	10,000				10,000
Mine Closure	800				800
Other	2,455				2,455
Unreserved	371,829		420		372,249
Total Fund Balances	428,214	105,083	420	25,088	558,805
Total Liabilities and Fund Balances	$ 610,392	$ 116,196	$ 777	$ 28,949	$ 756,314

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - BY TYPE
For the Fiscal Year Ended June 30, 2004
(Expressed in Thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent	Total
Revenue:					
Taxes	$ 63,758	$	$	$	$ 63,758
Licenses, Permits and Fees	135,892				135,892
Fines, Forfeits and Penalties	7,006				7,006
Use of Money and Property	12,483	1,113	6	2,455	16,057
Sales and Services	18,726				18,726
Administering Programs	421,559				421,559
Tobacco Settlement		21,911			21,911
Other Revenue	12,446	16	17		12,479
Total Revenue	671,870	23,040	23	2,455	697,388
Expenditures:					
Current:					
General Government	31,623	179	3	963	32,768
Education	127,485				127,485
Education - Payments to School Districts	50,000				50,000
Health, Human and Social Services	180,352				180,352
Law, Justice, Public Protection and Regulation	81,701				81,701
Agriculture and Natural Resources	83,502				83,502
Economic Resources	32,349				32,349
Transportation	11,050				11,050
State Shared Revenue Paid to Other Governments	64,133				64,133
Capital Outlay			1		1
Debt Service:					
Principal		16,528			16,528
Interest		24,426			24,426
Total Expenditures	662,195	41,133	4	963	704,295
Excess of Revenue Over (Under) Expenditures	9,675	(18,093)	19	1,492	(6,907)
Other Financing Sources (Uses):					
Transfers In	143,861	10,816			154,677
Transfers Out	(118,868)		(91)	(221)	(119,180)
Total Other Financing Sources (Uses)	24,993	10,816	(91)	(221)	35,497
Net Change in Fund Balances	34,668	(7,277)	(72)	1,271	28,590
Fund Balances at Beginning of Year, restated	393,546	112,360	492	23,817	530,215
Fund Balances at End of Year	$ 428,214	$ 105,083	$ 420	$ 25,088	$ 558,805

STATE OF SOUTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2004
(Expressed in Thousands)

	Education Federal	Human Services Federal	Labor Federal	Health Federal	Tourism and State Development Federal
Assets					
Cash and Cash Equivalents	$ 1,135	$	$ 819	$ 1,124	$ 7
Investments					
Securities Lending Collateral	223		164	221	1
Receivables From:					
Taxes (Net)					
Interest and Dividends					
Other Funds	54	285	101	5	
Component Units					
Other Governments	16,055	11,132	1,034	1,921	1,844
Loans and Notes (Net)					
Other (Net)		1	116	1	
Inventory		282	112	1,233	
Deferred Fiscal Charges and Other Assets	8		4		
Total Assets	$ 17,475	$ 11,700	$ 2,350	$ 4,505	$ 1,852
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable and Other Liabilities	$ 2,330	$ 7,241	$ 986	$ 1,521	$ 42
Payable To:					
Other Funds	246	3,548	350	276	1
Component Units	310	58			
Other Governments	13,565	237		99	1,808
Claims, Judgments and Compensated Absences		17	4	14	
Deferred Revenue	249	72			
Securities Lending Collateral Liability	223		164	221	1
Total Liabilities	16,923	11,173	1,504	2,131	1,852
Fund Balances:					
Reserved For:					
Encumbrances	9	29	7	367	1,762
Inventories		282	112	1,233	
Environmental Projects					
Noncurrent Assets					
Indemnification					
Mine Closure					
Other					
Unreserved	543	216	727	774	(1,762)
Total Fund Balances	552	527	846	2,374	0
Total Liabilities and Fund Balances	$ 17,475	$ 11,700	$ 2,350	$ 4,505	$ 1,852

Public Safety Emergency Management	Natural Resources Federal	Game, Fish and Parks Federal	Game and Fish	Parks and Recreation	Securities and Insurance	Health	Gaming Commission
$	$	$ 1,218	$ 15,611	$ 3,663	$ 4,855	$ 2,751	$ 6,558
		240	3,085	687	961	474	144
							567
		4	78	13	39		9
		117	48	14		25	
2,100	1,936	2,540		152		5	
			34	351		88	
						187	
$ 2,100	$ 1,936	$ 4,119	$ 18,856	$ 4,880	$ 5,855	$ 3,530	$ 7,278
$ 92	$ 530	$ 360	$ 1,139	$ 542	$ 120	$ 163	$ 54
226	1,112	139	1,072	424	22	59	446
		415	16				
1,781	185						516
						5	
		2,955					5,858
		240	3,085	687	961	474	144
2,099	1,827	4,109	5,312	1,653	1,103	701	7,018
305	3,024	123	352	363	7	123	1
						187	
(304)	(2,915)	(113)	13,192	2,864	4,745	2,519	259
1	109	10	13,544	3,227	4,752	2,829	260
$ 2,100	$ 1,936	$ 4,119	$ 18,856	$ 4,880	$ 5,855	$ 3,530	$ 7,278

Continued on next page

STATE OF SOUTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS (continued)
June 30, 2004
(Expressed in Thousands)

	Motor Vehicle	Revenue	Future	Property Tax Reduction	Petroleum Release Compensation	Maintenance and Repair
Assets						
Cash and Cash Equivalents	$ 9,329	$ 1,481	$ 15,527	$ 116,156	$ 5,573	$ 4,473
Investments						
Securities Lending Collateral	1,873	293	3,064	22,863	1,102	1,008
Receivables From:						
Taxes (Net)	252			495	144	
Interest and Dividends	13	7	65		31	17
Other Funds	16			4,322		164
Component Units						
Other Governments	5,573	158				
Loans and Notes (Net)						
Other (Net)	28					
Inventory						
Deferred Fiscal Charges and Other Assets						
Total Assets	$ 17,084	$ 1,939	$ 18,656	$ 143,836	$ 6,850	$ 5,662
Liabilities and Fund Equity						
Liabilities:						
Accounts Payable and Other Liabilities	$ 366	$ 401	$ 141	$	$ 423	$ 122
Payable To:						
Other Funds	205	266	6		6	27
Component Units			74			
Other Governments	13,121					
Claims, Judgments and Compensated Absences	1	1				
Deferred Revenue						
Securities Lending Collateral Liability	1,873	293	3,064	22,863	1,102	1,008
Total Liabilities	15,566	961	3,285	22,863	1,531	1,157
Fund Balances:						
Reserved For:						
Encumbrances	31	664			3	
Inventories						
Environmental Projects						
Noncurrent Assets						
Indemnification						
Mine Closure						
Other						
Unreserved	1,487	314	15,371	120,973	5,316	4,505
Total Fund Balances	1,518	978	15,371	120,973	5,319	4,505
Total Liabilities and Fund Balances	$ 17,084	$ 1,939	$ 18,656	$ 143,836	$ 6,850	$ 5,662

Water and Environment	Energy Conservation	Cement Plant Commission	Health Care Trust	Science and Technology	Other	Total
$ 16,535	$ 8,834	$ 12,477	$	$ 13,796	$ 110,815	$ 352,737
			88,086		2,073	90,159
3,178	1,745	487		2,692	21,669	66,174
458					2,454	4,370
99	44	12	521	11	555	1,518
519	2				3,594	9,266
					40	40
107					11,416	55,973
17,386	9				3,933	21,328
			250	9	5,613	6,491
					69	1,883
				37	404	453
$ 38,282	$ 10,634	$ 12,976	$ 88,857	$ 16,545	$ 162,635	$ 610,392
$ 372	$ 597	$ 5	$	$ 97	$ 11,310	$ 28,954
			3,498	2	6,225	18,156
					47	920
385	304				885	32,886
				4	20	66
					25,888	35,022
3,178	1,745	487		2,692	21,669	66,174
3,935	2,646	492	3,498	2,795	66,044	182,178
185					2,435	9,790
					69	1,883
		10,000				10,000
17,241	8				4,208	21,457
				10,000		10,000
				800		800
				2,455		2,455
16,921	7,980	2,484	85,359	495	89,879	371,829
34,347	7,988	12,484	85,359	13,750	96,591	428,214
$ 38,282	$ 10,634	$ 12,976	$ 88,857	$ 16,545	$ 162,635	$ 610,392

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2004
(Expressed in Thousands)

	Education Federal	Human Services Federal	Labor Federal	Health Federal	Tourism and State Development Federal
Revenue:					
Taxes	$	$	$ 294	$	$
Licenses, Permits and Fees			4	23	
Fines, Forfeits and Penalties					
Use of Money and Property					
Sales and Services	54		34		
Administering Programs	148,825	100,690	27,483	32,525	14,123
Other Revenue	15	40		150	
Total Revenue	148,894	100,730	27,815	32,698	14,123
Expenditures:					
General Government					
Education	124,098				
Education - Payments to School Districts	50,000				
Health, Human and Social Services		100,336	29,883	32,950	
Law, Justice, Public Protection and Regulation					
Agriculture and Natural Resources					
Economic Resources					14,123
Transportation					
State Shared Revenue Paid to Other Governments					
Total Expenditures	174,098	100,336	29,883	32,950	14,123
Excess of Revenue Over (Under) Expenditures	(25,204)	394	(2,068)	(252)	0
Other Financing Sources (Uses):					
Transfers In		10	1,779	2	
Transfers Out	(52)	(451)		(19)	
Total Other Financing Sources (Uses)	(52)	(441)	1,779	(17)	0
Net Change in Fund Balances	(25,256)	(47)	(289)	(269)	
Fund Balances at Beginning of Year, restated	25,808	574	1,135	2,643	
Fund Balances at End of Year	$ 552	$ 527	$ 846	$ 2,374	$ 0

Public Safety Emergency Management	Natural Resources Federal	Game, Fish and Parks Federal	Game and Fish	Parks and Recreation	Securities and Insurance	Health	Gaming Commission
$	$	$	$	$ 1,473	$ 14,013	$	$ 6,288
			21,938	5,357	13,108	6,199	6,109
					8		3
		22	124	303	121		14
			176	16	9		
13,533	7,841	8,101	129	18			
6	1	2	363	107	3,875	511	
13,539	7,842	8,125	22,730	7,274	31,134	6,710	12,414
					320		154
						5,775	
13,512					2,041		1,109
	8,014	8,026	19,586	5,896			
							7,756
13,512	8,014	8,026	19,586	5,896	2,361	5,775	9,019
27	(172)	99	3,144	1,378	28,773	935	3,395
	27	121	336	80		21	
(26)		(210)	(4,475)	(633)	(24,990)	(334)	(3,432)
(26)	27	(89)	(4,139)	(553)	(24,990)	(313)	(3,432)
1	(145)	10	(995)	825	3,783	622	(37)
	254		14,539	2,402	969	2,207	297
$ 1	$ 109	$ 10	$ 13,544	$ 3,227	$ 4,752	$ 2,829	$ 260

Continued on next page

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS (continued)
For the Fiscal Year Ended June 30, 2004
(Expressed in Thousands)

	Motor Vehicle	Revenue	Future	Property Tax Reduction	Petroleum Release Compensation	Maintenance and Repair
Revenue:						
Taxes	$ 2,759	$ 6,519	$ 7,448	$ 4,058	$ 1,518	$
Licenses, Permits and Fees	60,202	1,993				
Fines, Forfeits and Penalties						
Use of Money and Property	11	(13)	26		30	43
Sales and Services	1,838					683
Administering Programs						
Other Revenue	5		178		25	
Total Revenue	64,815	8,499	7,652	4,058	1,573	726
Expenditures:						
General Government	5,061	7,800			88	1,328
Education						
Education - Payments to School Districts						
Health, Human and Social Services						
Law, Justice, Public Protection and Regulation	3,263					
Agriculture and Natural Resources					2,137	
Economic Resources			5,531			
Transportation						
State Shared Revenue Paid to Other Governments	56,377					
Total Expenditures	64,701	7,800	5,531	0	2,225	1,328
Excess of Revenue Over (Under) Expenditures	114	699	2,121	4,058	(652)	(602)
Other Financing Sources (Uses):						
Transfers In				107,294		
Transfers Out	(179)	(44)	(451)	(60,286)	(15,000)	(10)
Total Other Financing Sources (Uses)	(179)	(44)	(451)	47,008	(15,000)	(10)
Net Change in Fund Balances	(65)	655	1,670	51,066	(15,652)	(612)
Fund Balances at Beginning of Year, restated	1,583	323	13,701	69,907	20,971	5,117
Fund Balances at End of Year	$ 1,518	$ 978	$ 15,371	$ 120,973	$ 5,319	$ 4,505

Water and Environment	Energy Conservation	Cement Plant Commission	Health Care Trust	Science and Technology	Other	Total
$ 4,452	$	$	$	$	$ 14,936	$ 63,758
1,617					19,342	135,892
					6,995	7,006
150	67	78	6,075	62	5,370	12,483
	51				15,865	18,726
5			200		68,086	421,559
	191			45	6,932	12,446
6,224	309	78	6,275	107	137,526	671,870
		866	58		15,948	31,623
					3,387	127,485
						50,000
					11,408	180,352
					61,776	81,701
5,682					34,161	83,502
	1,087			1,103	10,505	32,349
					11,050	11,050
						64,133
5,682	1,087	866	58	1,103	148,235	662,195
542	(778)	(788)	6,217	(996)	(10,709)	9,675
2,458				14,746	16,987	143,861
(422)			(3,498)		(4,356)	(118,868)
2,036	0	0	(3,498)	14,746	12,631	24,993
2,578	(778)	(788)	2,719	13,750	1,922	34,668
31,769	8,766	13,272	82,640		94,669	393,546
$ 34,347	$ 7,988	$ 12,484	$ 85,359	$ 13,750	$ 96,591	$ 428,214

STATE OF SOUTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
June 30, 2004
(Expressed in Thousands)

	Building Authority	Tobacco Securitization	Total
Assets			
Cash and Cash Equivalents	$ 5	$ 816	$ 821
Investments	71,644	32,498	104,142
Receivables From:			
Interest and Dividends		108	108
Deferred Fiscal Charges and Other Assets		11,125	11,125
Total Assets	$ 71,649	$ 44,547	$ 116,196
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable and Other Liabilities	$	$ 1	$ 1
Deferred Revenue		11,112	11,112
Total Liabilities	0	11,113	11,113
Fund Balances:			
Reserved For:			
Debt Service	71,649	33,434	105,083
Total Fund Balances	71,649	33,434	105,083
Total Liabilities and Fund Balances	$ 71,649	$ 44,547	$ 116,196

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
For the Fiscal Year Ended June 30, 2004
(Expressed in Thousands)

	Building Authority	Tobacco Securitization	Total
Revenue:			
Use of Money and Property	$	$ 1,113	$ 1,113
Tobacco Settlement		21,911	21,911
Other Revenue	16		16
Total Revenue	16	23,024	23,040
Expenditures:			
Current:			
General Government		179	179
Debt Service:			
Principal	11,265	5,263	16,528
Interest	6,558	17,868	24,426
Total Expenditures	17,823	23,310	41,133
Excess of Revenue Over (Under) Expenditures	(17,807)	(286)	(18,093)
Other Financing Sources (Uses):			
Transfers In	10,816		10,816
Total Other Financing Sources (Uses)	10,816	0	10,816
Net Change in Fund Balances	(6,991)	(286)	(7,277)
Fund Balances at Beginning of Year	78,640	33,720	112,360
Fund Balances at End of Year	$ 71,649	$ 33,434	$ 105,083

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
June 30, 2004
(Expressed in Thousands)

	Revolving Economic Development and Initiative	Drinking Water State Revolving	Unemployment Insurance	Second Injury	State Fair
Assets					
Current Assets:					
Cash and Cash Equivalents	$ 46,683	$ 7,417	$ 30,524	$ 1,061	$ 414
Receivables:					
Interest and Dividends	287	528		6	
Other Funds			52		
Component Units					
Other Governments		551	206		
Loans and Notes (Net)	5,074	2,599			
Other (Net)	7		838		19
Inventory					
Securities Lending Collateral	9,187			209	74
Deferred Fiscal Charges and Other Assets		24			
Total Current Assets	61,238	11,119	31,620	1,276	507
Restricted Assets:					
Restricted Cash		422			
Restricted Investments		529			
Investments		8,198			
Capital Assets:					
Land and Other Non-depreciable Assets					251
Property, Plant and Equipment					3,225
Accumulated Depreciation					(2,640)
Total Capital Assets	0	0	0	0	836
Other Noncurrent Assets	24,637	48,870			
Total Assets	85,875	69,138	31,620	1,276	1,343
Liabilities					
Current Liabilities:					
Accounts Payable and Other Liabilities	174	150		987	161
Payable To:					
Other Funds	3		19		10
Bonds, Notes and Leases Payable		415			
Claims, Judgments and Compensated Absences	17	26		1	8
Accrued Interest Payable		212			
Deferred Revenue					352
Securities Lending Collateral Liability	9,187			209	74
Total Current Liabilities	9,381	803	19	1,197	605
Noncurrent Liabilities:					
Bonds, Notes and Leases Payable		10,260			
Claims, Judgments and Compensated Absences	16	24		1	7
Total Liabilities	9,397	11,087	19	1,198	612
Net Assets					
Invested In Capital Assets, Net of Related Debt					836
Restricted For:					
Unemployment Compensation			31,601		
Debt Service		951			
Environmental Projects		57,100			
Revolving Loan Programs					
Unrestricted	76,478			78	(105)
Total Net Assets	$ 76,478	$ 58,051	$ 31,601	$ 78	$ 731

Federal Surplus Property	Rural Rehabilitation	Pheasantland Industries	Professional and Licensing	Banking and Insurance	Other	Total
$ 367	$ 5,531	$ 1,918	$ 5,016	$ 973	$ 5,519	$ 105,423
2	108	9	23	5	17	985
2	8	200	2			264
7		37				44
						757
	788					8,461
189		87			21	1,161
904		595			71	1,570
73	1,090	379	973	193	1,074	13,252
		3			35	62
1,544	7,525	3,228	6,014	1,171	6,737	131,979
						422
						529
						8,198
103						354
559	5	2,301	39	7	8	6,144
(260)	(4)	(818)	(28)	(4)	(2)	(3,756)
402	1	1,483	11	3	6	2,742
	3,060					76,567
1,946	10,586	4,711	6,025	1,174	6,743	220,437
309	45	119	209	479	51	2,684
4	9	25	83	7	19	179
8						423
36	19	51	131	86	199	574
						212
1		20	515		224	1,112
73	1,090	379	973	193	1,074	13,252
431	1,163	594	1,911	765	1,567	18,436
12						10,272
33	17	49	120	79	16	362
476	1,180	643	2,031	844	1,583	29,070
382	1	1,483	11	3	6	2,722
						31,601
						951
						57,100
	9,405					9,405
1,088		2,585	3,983	327	5,154	89,588
$ 1,470	$ 9,406	$ 4,068	$ 3,994	$ 330	$ 5,160	$ 191,367

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2004
(Expressed in Thousands)

	Revolving Economic Development and Initiative	Drinking Water State Revolving	Unemployment Insurance	Second Injury	State Fair
Operating Revenue:					
Licenses, Permits and Fees	$	$	$	$	$
Use of Money and Property	720	1,197			188
Sales and Services		388			1,001
Administering Programs		22,095			59
Assessments			20,626	5,124	
Other Revenue				61	126
Total Operating Revenue	720	23,680	20,626	5,185	1,374
Operating Expenses:					
Personal Services and Benefits	301	210		19	627
Travel	21	9			13
Contractual Services	196	260		3	939
Supplies and Materials	3	1			374
Other	1,157	238			25
Interest		511			
Depreciation/Amortization		24			52
Insurance Claims			34,644	5,853	
Total Operating Expenses	1,678	1,253	34,644	5,875	2,030
Operating Income (Loss)	(958)	22,427	(14,018)	(690)	(656)
Nonoperating Revenue (Expenses):					
Loss on Disposal of Assets					
Interest Income	249	520	2,437	11	
Interest Expense					(15)
Other Expense	(94)			(2)	
Grant and Other Income	348				241
Total Nonoperating Revenue (Expenses)	503	520	2,437	9	226
Income (Loss) Before Transfers	(455)	22,947	(11,581)	(681)	(430)
Transfers:					
Transfers In		2,596			1,370
Transfers Out		(27)	(219)		
Net Transfers In (Out)	0	2,569	(219)	0	1,370
Change in Net Assets	(455)	25,516	(11,800)	(681)	940
Net Assets at Beginning of Year, restated	76,933	32,535	43,401	759	(209)
Net Assets at End of Year	$ 76,478	$ 58,051	$ 31,601	$ 78	$ 731

Federal Surplus Property	Rural Rehabilitation	Prison Industries	Professional and Licensing	Banking and Insurance	Other	Total
$	$ 26	$	$ 4,552	$ 1,640	$ 78	$ 6,296
	289					2,394
4,034	3	2,210	68		3,257	10,961
						22,154
						25,750
	3		130	2		322
4,034	321	2,210	4,750	1,642	3,335	67,877
485	323	579	2,021	1,045	354	5,964
14	45	6	488	129	10	735
936	232	323	1,615	1,096	590	6,190
2,843	47	1,068	310	20	330	4,996
	591		70	18	12	2,111
1						512
26	1	96	1	1	1	202
					1,363	41,860
4,305	1,239	2,072	4,505	2,309	2,660	62,570
(271)	(918)	138	245	(667)	675	5,307
		(6)				(6)
4	63	16	29	(6)	68	3,391
						(15)
(1)	(9)	(3)	(9)	(2)	(6)	(126)
					850	1,439
3	54	7	20	(8)	912	4,683
(268)	(864)	145	265	(675)	1,587	9,990
				1,052	2,058	7,076
	(53)	(88)		(1,047)	(13)	(1,447)
0	(53)	(88)	0	5	2,045	5,629
(268)	(917)	57	265	(670)	3,632	15,619
1,738	10,323	4,011	3,729	1,000	1,528	175,748
$ 1,470	$ 9,406	$ 4,068	$ 3,994	$ 330	$ 5,160	$ 191,367

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2004
(Expressed in Thousands)

	Revolving Economic Development and Initiative	Drinking Water State Revolving	Unemployment Insurance	Second Injury	State Fair
Cash Flows from Operating Activities:					
Receipts from Customers and Users	$ 82	$ 336	$ 20,441	$ 5,185	$ 1,369
Receipts from Interfund Services Provided					
Receipts from Federal Agencies		21,934	94		
Receipts from Loan Payments	7,713	5,709			
Payments to Suppliers and for Benefits and Claims	(739)	(412)		(5,312)	(1,157)
Payments for Employee Services	(299)	(192)	(34,646)	(19)	(614)
Payments for Interfund Services Used	(40)			(2)	(198)
Payments for Loans Originated	(12,816)	(29,217)			
Other Receipts (Payments)	274				330
Net Cash Provided (Used) by Operating Activities	(5,825)	(1,842)	(14,111)	(148)	(270)
Cash Flows From Capital and Related Financing Activities:					
Purchases of Capital Assets					(237)
Payments on Capital Lease Obligations					
Net Cash Provided (Used) by Capital and Related Financing Activities	0	0	0	0	(237)
Cash Flows From Noncapital Financing Activities:					
Transfers In		2,596			1,370
Transfers Out		(27)	(219)		
Received on Interfund Borrowing					(435)
Payments on Bonds and Notes		(400)			
Interest Payments on Bonds and Notes		(518)			
Other Noncapital Financing Activities					
Net Cash Provided (Used) by Noncapital Financing Activities	0	1,651	(219)	0	935
Cash Flows From Investing Activities:					
Investment Income	352	575	2,437	12	(14)
Purchase of Investment Securities		(4,274)			
Proceeds from the Sale and Maturity of Investments		5,595			
Security Lending Rebate Fees	(94)			(2)	
Net Cash Provided (Used) by Investing Activities	258	1,896	2,437	10	(14)
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	(5,567)	1,705	(11,893)	(138)	414
Cash and Cash Equivalents at Beginning of Year	52,250	6,134	42,417	1,199	
Cash and Cash Equivalents at End of Year	$ 46,683	$ 7,839	$ 30,524	$ 1,061	$ 414
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	$ (958)	$ 22,427	$ (14,018)	$ (690)	$ (656)
Adjustments to Reconcile Operating Income (Loss):					
Depreciation/Amortization Expense		24			52
Bad Debt Expense	475				
Interest Expense		511			
Miscellaneous Nonoperating Items	348				241
Decrease/(Increase) in Assets:					
Accounts Receivable	(1)		(185)		(9)
Interest, Dividends & Penalties Receivable	19	(108)			
Loans and Notes Receivable	(5,853)	(24,599)			
Due From Other Funds	8		11		8
Due From Component Units					
Due From Other Governments		(212)	83		83
Inventory					
Deferred Fiscal Charges and Other Assets	(1)				
Increase/(Decrease) in Liabilities:					
Accounts Payable	135	96		542	
Accrued Liabilities	(1)	1			7
Compensated Absences Payable	4	18			6
Due To Other Funds			(2)		(2)
Due To Other Component Units					(2)
Deferred Revenue					2
Other Liabilities					
Net Cash Provided (Used) by Operating Activities	$ (5,825)	$ (1,842)	$ (14,111)	$ (148)	$ (270)
Noncash Investing, Capital and Financing Activities:					
Loss/(Gain) on Disposal of Fixed Assets					

Federal Surplus Property	Rural Rehabilitation	Pheasantland Industries	Professional and Licensing	Banking and Insurance	Other	Total Nonmajor Enterprise Funds
$ 2,453	$ 1,741	$ 539	$ 4,337	$ 1,642	$ 3,337	$ 41,462
1,571		1,737	299		115	3,722
65					105	22,198
(3,451)						9,971
(501)	(274)	(1,199)	(2,022)	(1,393)	(1,935)	(14,944)
(69)	(320)	(593)	(2,012)	(1,078)	(336)	(40,178)
	(75)	(299)	(405)		(177)	(1,196)
						(42,033)
						604
68	1,072	185	197	(829)	1,109	(20,394)
		(54)				(291)
(11)						(11)
(11)	0	(54)	0	0	0	(302)
				1,052	2,058	7,076
	(53)	(88)		(1,047)	(13)	(1,447)
						(435)
						(400)
						(518)
					850	850
0	(53)	(88)	0	5	2,895	5,126
5	40	17	37		58	3,519
						(4,274)
						5,595
(1)	(9)	(3)	(9)	(2)	(6)	(126)
4	31	14	28	(2)	52	4,714
61	1,050	57	225	(826)	4,056	(10,856)
306	4,481	1,861	4,791	1,799	1,463	116,701
$ 367	$ 5,531	$ 1,918	$ 5,016	$ 973	$ 5,519	$ 105,845
$ (271)	$ (918)	$ 138	$ 245	$ (667)	$ 675	$ 5,307
26	1	96	1	1	1	202
	516					991
1						512
						589
64		3			(3)	(131)
	24					(65)
	1,430					(29,022)
	(2)	7	1			33
(6)		17				11
						(46)
172		(29)			(12)	131
		(2)		10	(8)	(1)
102	21	(36)	24	(140)	25	769
1	(1)	(1)	12	(21)	4	1
(17)	3	(9)	(4)	(12)	14	3
	(2)	(11)	32		9	24
						(2)
(4)		12	(114)		222	118
					182	182
$ 68	$ 1,072	$ 185	$ 197	$ (829)	$ 1,109	$ (20,394)

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2004
(Expressed in Thousands)

	Self-Insurance	Information Services	Tele-Communications	Accounting and Payroll	Buildings and Grounds	Central Mail
Assets						
Current Assets:						
Cash and Cash Equivalents	$ 22,993	$ 2,112	$ 2,668	$ 4,380	$ 540	$ 702
Receivables:						
Interest and Dividends	102	2	9	21	1	1
Other Funds		1,618	888	817	892	325
Component Units		23	259	51		2
Other Governments						
Other		1	44		1	8
Inventory		18	514		35	90
Securities Lending Collateral	4,541	416	527	865	107	138
Deferred Fiscal Charges and Other Assets	441	553	222	292	6	11
Total Current Assets	28,077	4,743	5,131	6,426	1,582	1,277
Capital Assets:						
Property, Plant and Equipment	29	7,212	6,181	9,303	1,007	411
Accumulated Depreciation	(24)	(4,147)	(5,495)	(7,664)	(722)	(361)
Construction in Progress						56
Total Capital Assets	5	3,065	686	1,639	285	106
Total Assets	28,082	7,808	5,817	8,065	1,867	1,383
Liabilities						
Current Liabilities:						
Accounts Payable and Other Liabilities	301	743	624	30	236	30
Payable To:						
Other Funds	37	131	112	120	23	7
Component Units						
Bonds, Notes and Leases Payable		60				
Claims, Judgments and Compensated Absences	7,680	882	309	80	151	37
Deferred Revenue	5,767		2			
Securities Lending Collateral Liability	4,541	416	527	865	107	138
	18,326	2,232	1,574	1,095	517	212
Noncurrent Liabilities:						
Bonds, Notes and Leases Payable		298				
Claims, Judgments and Compensated Absences	20	804	281	72	138	34
Total Liabilities	18,346	3,334	1,855	1,167	655	246
Net Assets						
Invested In Capital Assets, Net of Related Debt	5	2,707	686	1,639	285	106
Unrestricted	9,731	1,767	3,276	5,259	927	1,031
Total Net Assets	$ 9,736	$ 4,474	$ 3,962	$ 6,898	$ 1,212	$ 1,137

Rural Development Telecommunica-tions Network	Public Entity Pool for Liability	Fleet and Travel Management	Personnel	Workers Compensation	Other	Total
$ 436	$ 9,406	$ 2,065	$ 150	$ 3,883	$ 3,838	$ 53,173
1	45	3	1	20	18	224
140	2	1,363	230		825	7,100
		336			76	747
		6			126	132
18	436	8	2		142	660
					335	992
86	1,858	413	30	767	758	10,506
		6			16	1,547
681	11,747	4,200	413	4,670	6,134	75,081
1,315	28	34,882	38		5,950	66,356
(1,235)	(28)	(22,470)	(27)		(2,117)	(44,290)
					6	62
80	0	12,412	11	0	3,839	22,128
761	11,747	16,612	424	4,670	9,973	97,209
26	32	346	175	8	479	3,030
21	5	329	59	2	406	1,252
		39				39
		2,667			199	2,926
30	1,195	30	224	2,368	407	13,393
					8	5,777
86	1,858	413	30	767	758	10,506
163	3,090	3,824	488	3,145	2,257	36,923
		3,878			753	4,929
28	3,292	28	204	12,603	370	17,874
191	6,382	7,730	692	15,748	3,380	59,726
80		5,867	11		2,887	14,273
490	5,365	3,015	(279)	(11,078)	3,706	23,210
$ 570	$ 5,365	$ 8,882	$ (268)	$ (11,078)	$ 6,593	$ 37,483

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2004
(Expressed in Thousands)

	Self-Insurance	Information Services	Tele-Communi-cations	Accounting and Payroll	Buildings and Grounds	Central Mail
Operating Revenue:						
Use of Money and Property	$ 14	$	$	$	$	$
Sales and Services	79,018	20,923	13,325	2,827	3,954	3,559
Other Revenue	445		124			
Total Operating Revenue:	79,477	20,923	13,449	2,827	3,954	3,559
Operating Expenses:						
Personal Services and Benefits	326	10,156	3,791	495	2,316	325
Travel	10	56	117		3	1
Contractual Services	5,831	7,532	7,766	1,944	993	148
Supplies and Materials	81	799	509	130	578	2,998
Interest		9				
Depreciation/Amortization		1,043	828	545	66	40
Insurance Claims	68,292					
Total Operating Expenses	74,540	19,595	13,011	3,114	3,956	3,512
Operating Income (Loss)	4,937	1,328	438	(287)	(2)	47
Nonoperating Revenue (Expenses):						
Gain on Disposal of Assets		1	11		13	
Loss on Disposal of Assets		(2)	(1)			
Interest Income	192	8	12	36		1
Other Expense	(38)	(1)	(3)	(8)		
Total Nonoperating Revenue (Expenses)	154	6	19	28	13	1
Income (Loss) Before Transfers	5,091	1,334	457	(259)	11	48
Transfers:						
Transfers In				339	1	
Transfers Out						
Net Transfers In (Out)	0	0	0	339	1	0
Change in Net Assets	5,091	1,334	457	80	12	48
Net Assets at Beginning of Year, restated	4,645	3,140	3,505	6,818	1,200	1,089
Net Assets at End of Year	$ 9,736	$ 4,474	$ 3,962	$ 6,898	$ 1,212	$ 1,137

Rural Development Telecommunica-tions Network	Public Entity Pool for Liability	Fleet and Travel Management	Personnel	Workers Compensation	Other	Total
$	$	$	$	$	$	$ 14
880	2,254	12,712	3,040	2,824	11,324	156,640
	603			48	74	1,294
880	2,857	12,712	3,040	2,872	11,398	157,948
304	203	501	2,653	119	4,724	25,913
9	15	9	64		254	538
490	1,261	2,199	640	133	2,231	31,168
47	18	4,740	236	15	3,090	13,241
		280			20	309
24		4,999	3		318	7,866
	2,486			3,076	345	74,199
874	3,983	12,728	3,596	3,343	10,982	153,234
6	(1,126)	(16)	(556)	(471)	416	4,714
		247			5	277
		(292)			(59)	(354)
3	8	(29)	1	8	28	268
(1)	(17)	(1)	(1)	(8)	(18)	(96)
2	(9)	(75)	0	0	(44)	95
8	(1,135)	(91)	(556)	(471)	372	4,809
		3	234		2,176	2,753
		(1)			(216)	(217)
0	0	2	234	0	1,960	2,536
8	(1,135)	(89)	(322)	(471)	2,332	7,345
562	6,500	8,971	54	(10,607)	4,261	30,138
$ 570	$ 5,365	$ 8,882	$ (268)	$ (11,078)	$ 6,593	$ 37,483

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2004
(Expressed in Thousands)

	Self-Insurance	Information Services	Tele-communi-cations	Accounting and Payroll	Buildings and Grounds	Central Mail
Cash Flows from Operating Activities:						
Receipts from Customers and Users	$ 42,424	$ 375	$ 3,280	$ 139	$ 11	$ 129
Receipts from Interfund Services Provided	37,908	20,505	10,378	2,680	3,918	3,427
Payments to Suppliers and for Benefits and Claims	(74,392)	(7,666)	(7,450)	(822)	(1,127)	(2,936)
Payments for Employee Services	(332)	(10,005)	(3,938)	(480)	(2,317)	(309)
Payments for Interfund Services Used	(389)	(1,186)	(1,139)	(1,261)	(431)	(64)
Other Receipts (Payments)			124			
Net Cash Provided (Used) by Operating Activities	5,219	2,023	1,255	256	54	247
Cash Flows From Capital and Related Financing Activities:						
Purchases of Capital Assets		(464)	(172)	(175)	(45)	(56)
Sales of Capital Assets		1	24		15	
Payments on Capital Lease Obligations		(68)				
Net Cash Provided (Used) by Capital and Related Financing Activities	0	(531)	(148)	(175)	(30)	(56)
Cash Flows From Noncapital Financing Activities:						
Transfers In				339		
Transfers Out						
Net Cash Provided (Used) From Noncapital Financing Activities	0	0	0	339	0	0
Cash Flows From Investing Activities						
Investment Income (Expense)	203	7	15	40	1	1
Security Lending Rebate Fees	(38)	(1)	(3)	(8)		
Net Cash Provided (Used) by Investing Activities	165	6	12	32	1	1
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	5,384	1,498	1,119	452	25	192
Cash and Cash Equivalents at Beginning of Year, restated	17,609	614	1,549	3,928	515	510
Cash and Cash Equivalents at End of Year	$ 22,993	$ 2,112	$ 2,668	$ 4,380	$ 540	$ 702
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	$ 4,937	$ 1,328	$ 438	$ (287)	$ (2)	$ 47
Adjustments to Reconcile Operating Income (Loss):						
Depreciation/Amortization Expense		1,043	828	545	66	40
Interest Expense		9				
Miscellaneous Nonoperating Items						
Decrease/(Increase) in Assets:						
Accounts Receivable		(1)	10			(4)
Due From Other Funds		(41)	315	10	(25)	(3)
Due From Component Units		(1)	7	(18)		(1)
Due From Other Governments						
Inventory		5	111		6	151
Deferred Fiscal Charges and Other Assets	255	(259)	60	(8)	(1)	(9)
Increase/(Decrease) in Liabilities:						
Accounts Payable	146	(219)	(67)		13	8
Accrued Liabilities		68	(37)		2	
Compensated Absences Payable	(5)	83	(110)	15	(3)	16
Due To Other Funds	8	8	(302)	(1)	(2)	2
Due to Component Units						
Deferred Revenue	856		2			
Policy Claim Liabilities	(978)					
Net Cash Provided (Used) by Operating Activities	$ 5,219	$ 2,023	$ 1,255	$ 256	$ 54	$ 247
Noncash Investing, Capital and Financing Activities:						
Gain (Loss) on Disposal of Fixed Assets		(1)	10		13	
Capital Lease Obligations Entered Into		(416)				
Transfers In (Out) of Fixed Assets					1	

Rural Development Telecommunica-tions Network	Public Entity Pool for Liability	Fleet and Travel Management	Personnel	Workers Compensation	Other	Total
$ 367	$ 554	$ 2,259	$ 48	$ 762	$ 2,213	$ 52,561
482	1,698	10,318	3,012	2,110	9,055	105,491
(435)	(4,640)	(2,102)	(371)	(3,201)	(4,179)	(109,321)
(300)	(201)	(489)	(2,636)	(124)	(4,701)	(25,832)
(107)	(130)	(4,732)	(584)	(18)	(1,769)	(11,810)
	169				55	348
7	(2,550)	5,254	(531)	(471)	674	11,437
(22)		(1,609)	(5)		(370)	(2,918)
		888			62	990
		(3,967)			(206)	(4,241)
(22)	0	(4,688)	(5)	0	(514)	(6,169)
			234			573
					(216)	(216)
0	0	0	234	0	(216)	357
2	38	(17)	2	20	23	335
(1)	(17)	(1)	(1)	(8)	(7)	(85)
1	21	(18)	1	12	16	250
(14)	(2,529)	548	(301)	(459)	(40)	5,875
450	11,935	1,517	451	4,342	3,878	47,298
$ 436	$ 9,406	$ 2,065	$ 150	$ 3,883	$ 3,838	$ 53,173
$ 6	$ (1,126)	$ (16)	$ (556)	$ (471)	$ 416	$ 4,714
24		4,999	3		318	7,866
		312			20	341
					(29)	(29)
(4)	(435)	(4)	1		15	(422)
(27)	(2)	(126)	19		(6)	114
		(3)			12	(4)
		(4)			35	31
					32	305
		(6)			2	34
1	5		(3)	(10)	(38)	(164)
1	1	4	10	(2)	3	50
4	1	7	7	(3)	(42)	(30)
2	(2)	86	(12)		(65)	(278)
		5				5
						858
	(992)			15	1	(1,954)
$ 7	$ (2,550)	$ 5,254	$ (531)	$ (471)	$ 674	$ 11,437
		(45)			(54)	(77)
		(4,296)			(1,049)	(5,761)
		2			2,175	2,178

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
June 30, 2004
(Expressed in Thousands)

	South Dakota Retirement System	Cement Plant Retirement System	Total
Assets			
Cash and Cash Equivalents	$ 21,591	$ 5,684	$ 27,275
Receivables:			
Employer	2,580		2,580
Employee	11,110		11,110
Benefits	64		64
Unsettled Investment Sales	38,630	19	38,649
Investment Income	17,903	139	18,042
Total Receivables	70,287	158	70,445
Investments, at Fair Value:			
Fixed Income	2,239,723	7,979	2,247,702
Equities	2,898,780	20,219	2,918,999
Real Estate	248,409	1,621	250,030
Private Equity	240,668	1,653	242,321
Total Investments	5,627,580	31,472	5,659,052
Securities Lending Collateral	315,689	159	315,848
Properties, at Cost	75		75
Accumulated Depreciation	(35)		(35)
Other Assets	59		59
Total Assets	6,035,246	37,473	6,072,719
Liabilities			
Payables:			
Accounts Payable and Other Liabilities	2,560		2,560
Due to Other Funds	35		35
Compensated Absences Payable	210		210
Securities Sold, But Not Yet Purchased, at Fair Value	164,424		164,424
Unsettled Investment Purchases	34,102		34,102
Securities Lending Collateral Liability	315,689	159	315,848
Total Liabilities	517,020	159	517,179
Net Assets Held In Trust For Pension and Other Employee Benefits	$ 5,518,226	$ 37,314	$ 5,555,540

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
For the Fiscal Year Ended June 30, 2004
(Expressed in Thousands)

	South Dakota Retirement System	Cement Plant Retirement System	Total
Additions			
Contributions:			
Employee	$ 104,656	$	$ 104,656
Employer	74,854		74,854
Total Contributions	179,510	0	179,510
Investment Income:			
From Investing Activities			
Net Increase (Decrease) in Fair Value of Investments	636,634	4,396	641,030
Interest	74,661	475	75,136
Dividends	58,270	398	58,668
Real Estate	15,481	114	15,595
Investment Activity Income	785,046	5,383	790,429
Less Investment Activity Expenses	(9,101)	(26)	(9,127)
Net Investment Activity Income	775,945	5,357	781,302
From Security Lending Activities			
Security Lending Income	2,656	12	2,668
Security Lending Expenses	(1,710)	(9)	(1,719)
Net Security Lending Activity Income	946	3	949
Net Investment Income (Loss)	776,891	5,360	782,251
Total Additions	956,401	5,360	961,761
Deductions			
Benefits	198,454	2,226	200,680
Refunds of Contributions	21,415		21,415
Administrative Expenses	2,493	55	2,548
Total Deductions	222,362	2,281	224,643
Net Increase	734,039	3,079	737,118
Net Assets Held In Trust For Pension and Other Employee Benefits, Beginning of Year	4,784,187	34,235	4,818,422
End of Year	$ 5,518,226	$ 37,314	$ 5,555,540

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
June 30, 2004
(Expressed in Thousands)

	Common School	Child's Own	Corrections	Other	Total
Assets					
Cash and Cash Equivalents	$ 15,947	$ 144	$ 939	$ 1,787	$ 18,817
Receivables:					
Due from Other Funds			112	22	134
Investment Income	578	1		2	581
Other	409	177		1	587
Total Receivables	987	178	112	25	1,302
Investments, at Fair Value:					
Pooled Investment Funds	103,666				103,666
Money Market				2	2
Total Investments	103,666	0	0	2	103,668
Securities Lending Collateral	18,545	28		305	18,878
Properties, at Cost	11,235			41	11,276
Other Assets				20	20
Total Assets	150,380	350	1,051	2,180	153,961
Liabilities					
Payables:					
Accounts Payable and Other Liabilities		49		10	59
Due To Other Funds			74	34	108
Securities Lending Collateral Liability	18,545	28		305	18,878
Total Liabilities	18,545	77	74	349	19,045
Net Assets Held In Trust For Others	$ 131,835	$ 273	$ 977	$ 1,831	$ 134,916

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
For the Fiscal Year Ended June 30, 2004
(Expressed in Thousands)

Additions	Common School	Child's Own	Corrections	Other	Total
Contributions:					
From Participants	$	$	$	$ 418	$ 418
From Clients and Inmates			4,683	910	5,593
Total Contributions			4,683	1,328	6,011
Investment Income:					
From Investing Activities					
Net Increase (Decrease) in Fair Value of Investments	3,286	(4)		(2)	3,280
Interest	4,567	4		1	4,572
Dividends	773				773
Net Investment Activity Income	8,626	0	0	(1)	8,625
From Security Lending Activities					
Security Lending Income	177	1		1	179
Security Lending Expenses	(143)	(1)		(1)	(145)
Net Security Lending Activity Income	34	0	0	0	34
Net Investment Income (Loss)	8,660	0	0	(1)	8,659
Escheated Property	30				30
Gain from Sale of Assets	784				784
Miscellaneous Income	3,101	831			3,932
Transfers From Other Funds				23	23
Total Additions	12,575	831	4,683	1,350	19,439
Deductions					
Distribution to School Districts	6,649				6,649
Payments made for Trust Purposes		780	4,370	1,162	6,312
Administrative Expenses	1			2	3
Total Deductions	6,650	780	4,370	1,164	12,964
Net Increase (Decrease)	5,925	51	313	186	6,475
Net Assets Held In Trust For Others Beginning of Year	125,910	222	664	1,645	128,441
End of Year	$ 131,835	$ 273	$ 977	$ 1,831	$ 134,916

SouthDakota
GREAT FACES. GREAT PLACES.

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
June 30, 2004
(Expressed in Thousands)

	Department of Revenue - Tax Collections	Social Services - Child Support	State Auditor - Payroll Withholding	State Clerk of Courts	Other	Total
Assets						
Cash and Cash Equivalents	$ 14,850	$ 487	$ 3,617	$ 3,364	$ 1,136	$ 23,454
Receivables:						
Taxes Receivable (net)	24,705					24,705
Due From Other Governments	344				208	552
Investment Income	37				1	38
Other	99					99
Total Receivables	25,185	0	0	0	209	25,394
Total Assets	$ 40,035	$ 487	$ 3,617	$ 3,364	$ 1,345	$ 48,848
Liabilities						
Payables:						
Accounts Payable and Other Liabilities	$ 4,167	$ 487	$	$ 3,364	$ 386	$ 8,404
Due To Other Governments	35,868		3,617		959	40,444
Total Liabilities	$ 40,035	$ 487	$ 3,617	$ 3,364	$ 1,345	$ 48,848

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2004
(Expressed in Thousands)

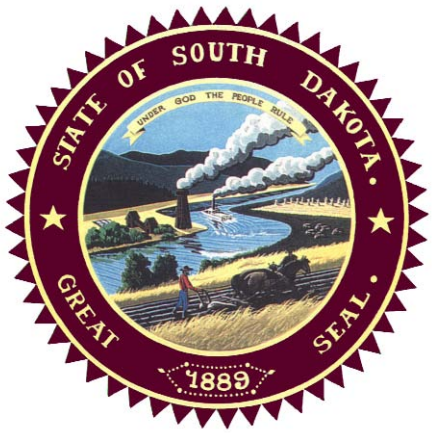
Department of Revenue - Tax Collections	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
Assets:				
Cash and Cash Equivalents	$ 13,366	$ 228,447	$ 226,963	$ 14,850
Accounts Receivable	58	99	58	99
Taxes Receivable (Net)	22,182	24,705	22,182	24,705
Interest and Dividends Receivable	47	38	48	37
Due From Other Governments	500	344	500	344
Total Assets	$ 36,153	$ 253,633	$ 249,751	$ 40,035
Liabilities:				
Accounts Payable and Other Liabilities	$ 5,089	$ 6,333	$ 7,255	$ 4,167
Due To Other Governments	31,064	247,300	242,496	35,868
Total Liabilities	$ 36,153	$ 253,633	$ 249,751	$ 40,035
Social Services - Child Support				
Assets:				
Cash and Cash Equivalents	$ 1,166	$ 76,642	$ 77,321	$ 487
Total Assets	$ 1,166	$ 76,642	$ 77,321	$ 487
Liabilities:				
Accounts Payable and Other Liabilities	$ 1,166	$ 76,642	$ 77,321	$ 487
Total Liabilities	$ 1,166	$ 76,642	$ 77,321	$ 487
State Auditor - Payroll Withholding				
Assets:				
Cash and Cash Equivalents	$ 31	$ 136,472	$ 132,886	$ 3,617
Total Assets	$ 31	$ 136,472	$ 132,886	$ 3,617
Liabilities:				
Accounts Payable and Other Liabilities	$ 0	$ 1,881	$ 1,881	$ 0
Due To Other Governments	31	134,591	131,005	3,617
Total Liabilities	$ 31	$ 136,472	$ 132,886	$ 3,617
State Clerk of Courts				
Assets:				
Cash and Cash Equivalents	$ 3,097	$ 9,571	$ 9,304	$ 3,364
Total Assets	$ 3,097	$ 9,571	$ 9,304	$ 3,364
Liabilities:				
Accounts Payable and Other Liabilities	$ 3,097	$ 9,571	$ 9,304	$ 3,364
Total Liabilities	$ 3,097	$ 9,571	$ 9,304	$ 3,364

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUNDS (Continued)
For the Fiscal Year Ended June 30, 2004
(Expressed in Thousands)

Other Agency Funds	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
Assets:				
Cash and Cash Equivalents	$ 1,327	$ 32,948	$ 33,139	$ 1,136
Interest and Dividends Receivable	1	1	1	1
Due From Other Governments	49	901	742	208
Total Assets	$ 1,377	$ 33,850	$ 33,882	$ 1,345
Liabilities:				
Accounts Payable and Other Liabilities	$ 413	$ 30,955	$ 30,982	$ 386
Due To Other Governments	964	1,251	1,256	959
Total Liabilities	$ 1,377	$ 32,206	$ 32,238	$ 1,345

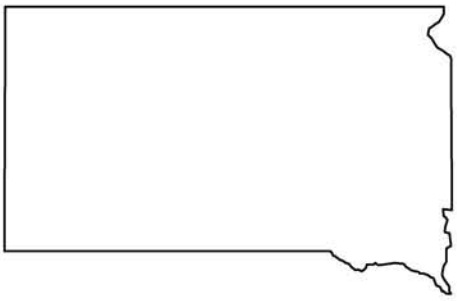
Total All Agency Funds				
Assets:				
Cash and Cash Equivalents	$ 18,987	$ 484,080	$ 479,613	$ 23,454
Accounts Receivable	58	99	58	99
Taxes Receivable (Net)	22,182	24,705	22,182	24,705
Interest and Dividends Receivable	48	39	49	38
Due From Other Governments	549	1,245	1,242	552
Total Assets	$ 41,824	$ 510,168	$ 503,144	$ 48,848
Liabilities:				
Accounts Payable and Other Liabilities	$ 9,765	$ 125,382	$ 126,743	$ 8,404
Due To Other Governments	32,059	383,142	374,757	40,444
Total Liabilities	$ 41,824	$ 508,524	$ 501,500	$ 48,848

SouthDakota
GREAT FACES. GREAT PLACES.



STATISTICAL SECTION

SOUTH DAKOTA - MISCELLANEOUS



CAPITAL CITY: PIERRE

ADMITTED TO THE UNION: 1889

NICKNAME: THE MOUNT RUSHMORE STATE

MOTTO: UNDER GOD THE PEOPLE RULE

POPULATION ESTIMATE 2004: 770,883

POPULATION CENSUS 2000: 754,844

RANKS 16TH IN AREA AT 75,885
SQUARE MILES OF LAND AREA
1,232 SQUARE MILES OF INLAND WATER

POPULATION PER SQUARE MILE IN 2000:
9.9

DIVIDED INTO 66 COUNTIES

BORDERED BY SIX STATES:
MINNESOTA, NORTH DAKOTA, NEBRASKA,
MONTANA, IOWA, AND WYOMING

LOWEST ELEVATION POINT: 962 FEET (BIG STONE LAKE)

HIGHEST ELEVATION POINT: 7,242 FEET (HARNEY PEAK)

STATE TREE: BLACK HILLS SPRUCE

STATE FLOWER: AMERICAN PASQUE

STATE ANIMAL: COYOTE

STATE BIRD: CHINESE RING-NECKED PHEASANT

STATE FISH: WALLEYE

STATE INSECT: HONEY BEE
(APIS MELLIFERA L.)

STATE GEM STONE: FAIRBURN AGATE

STATE MINERAL: ROSE QUARTZ

STATE JEWELRY: BLACK HILLS GOLD

STATE SLOGAN: GREAT FACES,
GREAT PLACES

STATE SOIL: HOUDEK

STATE DESSERT: KUCHEN

STATE SONG: "HAIL, SOUTH DAKOTA"

STATE FOSSIL: TRICERATOPS

STATE GREETING: "HOW KOLA!"

STATE SPORT: RODEO

SOUTH DAKOTA

SQUARE MILES OF LAND	75,885
MILES OF HIGHWAY	83,609
STATE PARKS	12
NATIONAL PARKS/MONUMENTS/MEMORIALS	7
STATE UNIVERSITIES	6
PRIVATE COLLEGES AND UNIVERSITIES	14
VOCATIONAL/TECHNICAL SCHOOLS	4

SOURCES: U.S. Bureau of the Census; SD Board of Regents; SD Game, Fish, and Parks; *Highway Mileage,* S.D. Department of Transportation; SD Airport Directory; Sioux Falls Airport, Rapid City Regional Airport, and SD State Climatologist.

CLIMATE

South Dakota is a four-season state, with the weather as diverse as the terrain. Throughout the summer and early fall months, the state enjoys a warm, dry climate, with cool summer evenings. The winter climate is ideal for snow activities, with ample snowfall and cool temperatures. The following averages are based on a 30-year average:

Average January temperature: 10.4° Fahrenheit in the northeast to 21.6° Fahrenheit in the southwest.

Average July temperature: 66.9° Fahrenheit in the Black Hills to 74.4° Fahrenheit in the south-central part of the state.

Average annual precipitation is 20.41 inches.

HIGHWAYS

South Dakota is served by two interstate highways: I-90 runs east-west, and I-29 runs north-south. The speed limit on interstate highways is 75 miles per hour, with most other highways at 65 miles per hour.

TWO TIME ZONES

South Dakota observes both Central Standard and Mountain Standard Time, with the dividing line being the Missouri River. Daylight Savings Time is observed from the first Sunday in April through the last Sunday in October.

AIRLINES

South Dakota has good air service, with major airports at Rapid City and Sioux Falls. Denver, Salt Lake City, Minneapolis/St. Paul, Chicago, and St. Louis are primary gateway cities. Sioux Falls is served by United Express, Northwest, Mesaba, Delta Connection, American West Express, Allegiant, and various cargo carriers. Rapid City has service from United Express, Northwest, Skywest/Delta Connection, and several cargo carriers. Commercial flights depart the cities of Aberdeen, Brookings, Huron, Pierre, and Watertown. Regular taxi and limousine services are available at airports in Sioux Falls, Rapid City, and Pierre.

STATE OF SOUTH DAKOTA

Revenue by Source
All Governmental Fund Types
For the Last Ten Fiscal Years
(Expressed in Thousands)

Revenues:	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Taxes:										
Sales & Use	$ 524,706	$ 488,742	$ 471,025	$ 452,795	$ 435,942	$ 407,967	$ 389,205	$ 371,817	$ 343,115	$ 328,091
Inheritance	9,385	27,036	22,164	33,734	26,234	23,759	22,866	20,085	20,177	19,552
Insurance Company	52,623	48,545	45,440	43,093	39,340	34,976	33,023	33,680	32,050	31,988
Liquor	12,281	10,899	11,219	10,936	8,262	8,240	7,458	7,542	7,489	7,343
Cigarette	26,270	20,336	17,466	18,159	17,921	19,374	19,895	19,986	21,874	15,200
Bank Franchise	47,458	46,847	41,784	42,059	35,609	39,813	28,705	27,388	28,231	29,805
Contractor's Excise	60,322	56,853	53,449	50,150	47,555	43,399	43,371	36,397	31,558	32,931
Severance	1,989	2,027	3,019	2,174	2,066	3,131	2,385	6,584	6,522	5,588
Other Tobacco	1,341	1,330	1,258	1,178	1,163	1,071	1,022	986		
Special Revenue*								106,545	102,644	107,038
Motor Vehicle & Fuel	181,935	177,828	173,805	116,510	120,038	103,479	104,193			
Other	50,254	49,537	49,659	19,880	18,525	17,127	19,572			
Subtotal	968,564	929,980	890,288	790,668	752,655	702,336	671,695	631,010	593,660	577,536
Other Revenue:										
Licenses, Permits & Fees	144,392	139,700	136,917	216,816	164,017	154,097	147,753	131,685	125,404	119,734
Fines, Forfeits & Penalties	7,549	6,723	6,845	7,741	13,431	5,707	4,611	3,844	3,924	3,554
Use of Money & Property	66,892	92,569	63,558	64,629	42,579	35,404	35,809	29,323	27,079	25,913
Sales & Services	26,267	24,843	19,111	24,131	20,621	19,528	19,240	19,337	15,619	17,007
Admin. Programs	1,125,402	1,093,374	1,027,860	960,393	801,887	766,539	765,050	671,939	692,696	600,545
Tobacco Settlement	21,911	25,603								
Other Revenue	24,817	21,348	46,427	14,840	14,393	10,503	13,071	6,760	8,552	7,984
Total Revenue	**$2,385,794**	**$2,334,140**	**$2,191,006**	**$2,079,218**	**$1,809,583**	**$1,694,114**	**$1,657,229**	**$1,493,898**	**$1,466,934**	**$1,352,273**

Expenditures By Function
All Governmental Fund Types
For the Last Ten Fiscal Years
(Expressed in Thousands)

Expenditures:	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
General Government	$ 63,634	$ 62,544	$ 61,705	$ 89,547	$ 87,334	$ 76,225	$ 67,946	$ 105,123	$ 102,299	$ 112,281
Education	616,440	586,041	592,498							
Health, Human and Social Services	903,694	874,339	834,224							
Law, Justice, Public Protection and Regulation	195,300	175,346	149,657							
Agriculture & Natural Resources	97,095	107,985	97,297							
Commerce & Regulation			13,279							
Economic Resources	37,354	36,831	28,133	31,406	36,263	41,832	27,259	15,048	18,749	22,500
Education & Research				415,653	400,348	382,039	367,996	317,210	271,319	274,598
Transportation	390,903	390,628	411,526	440,104	368,225	295,049	337,513	276,989	273,724	259,386
Human Resources				810,264	706,830	674,363	646,759	617,416	611,658	544,937
Natural Resources				85,962	73,873	69,167	69,305	59,233	67,255	63,498
Protection of Domain				66,438	62,222	69,090	85,014	81,749	74,288	53,223
State Shared Revenue	82,878	83,945	80,434	68,009						
Capital Outlay	1	36	5	65	2,694	1,862	588	5,690	15,576	N/A
Debit Service:										
Principal	16,528	18,653	11,428	11,687	12,333	12,242	11,797	6,490	8,693	N/A
Interest	24,426	19,778	7,743	8,712	11,133	11,682	11,755	14,669	14,779	N/A
Bond Issuance Costs		1,618								
Other									32	N/A
Total Expenditures	**$2,428,253**	**$2,357,744**	**$2,287,929**	**$2,027,847**	**$1,761,255**	**$1,633,551**	**$1,625,932**	**$1,499,617**	**$1,458,372**	**$1,330,423**

Source: South Dakota Comprehensive Annual Financial Reports (1995-2004).

Note: Reorganization in FY2002 and FY2003. Compare FY2001 CAFR to FY2002 CAFR and FY2002 CAFR to FY2003 CAFR for changes in "Function's of State Government".

*Combination of Motor Vehicle and Fuel/Other Taxes.

2003 SOURCES OF INCOME
PERCENT OF TOTAL

SOURCE	SOUTH DAKOTA	UNITED STATES
Labor Compensation *	52.0%	60.1%
Proprietors' Income	13.5%	9.2%
Nonfarm	9.2%	8.9%
Farm	4.4%	0.3%
Transfer Payments	14.4%	14.6%
Dividend, Interest, and Rent	20.0%	16.1%

SOURCE: U.S. Department of Commerce, September 2004. Compiled by the South Dakota State Data Center, USD Business Research Bureau.

* Net earnings by place of residence, less proprietors' income.

PER CAPITA PERSONAL INCOME

YEAR	UNITED STATES	PERCENT CHANGE	PLAINS*	PERCENT CHANGE	SOUTH DAKOTA	PERCENT CHANGE
2003	$31,459	2.2%	$30,391	2.9%	$28,299	6.2%
2002	30,795	0.7%	29,532	1.6%	26,644	-0.8%
2001	30,580	2.5%	29,080	2.7%	26,847	4.4%
2000	29,847	6.8%	28,327	6.0%	25,722	5.1%
1999	27,939	3.9%	26,737	3.1%	24,475	4.2%
1998	26,883	6.1%	25,928	6.2%	23,488	7.0%
1997	25,334	4.8%	24,422	4.5%	21,949	2.2%
1996	24,175	4.8%	23,378	6.6%	21,488	10.2%
1995	23,076	4.1%	21,934	3.5%	19,501	0.6%
1994	22,172	3.9%	21,188	5.8%	19,392	6.0%

SOURCE: U.S. Department of Commerce, September 2004. U.S. Census Bureau for midyear (July 1) population estimates. Compiled by the South Dakota State Data Center, USD Business Research Bureau.

NOTE: Per capita personal income is total personal income divided by total mid-year population estimate.

* The Plains states include Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota.

TAXABLE SALES FOR THE 10 LARGEST CITIES IN SD
% of FY Total and Trends
(In Thousands)

City:	2004	% of Total	2003	% of Total	2002	% of Total	2001	% of Total	2000	% of Total	1999	% of Total
Sioux Falls	$3,286,191	25.8%	$ 3,133,632	26.5%	$ 2,850,931	24.8%	$ 2,856,039	25.1%	$ 2,721,939	25.0%	$ 2,476,855	24.4%
Rapid City	$1,851,713	14.6%	1,725,394	14.6%	1,604,666	14.0%	1,556,121	13.7%	1,507,877	13.9%	1,419,714	14.0%
Aberdeen	$572,757	4.5%	514,709	4.4%	477,745	4.2%	505,887	4.4%	492,363	4.5%	456,106	4.5%
Watertown	$481,937	3.8%	444,240	3.8%	406,439	3.5%	434,897	3.8%	413,918	3.8%	391,880	3.9%
Mitchell	$412,624	3.3%	375,356	3.2%	347,966	3.0%	345,564	3.0%	316,866	2.9%	286,321	2.8%
Brookings	$350,091	2.8%	302,449	2.6%	261,926	2.3%	274,375	2.4%	277,196	2.6%	254,462	2.5%
Yankton	$291,989	2.3%	267,766	2.3%	251,767	2.2%	260,064	2.3%	258,051	2.4%	241,939	2.4%
Pierre	$247,562	1.9%	232,593	2.0%	219,144	1.9%	217,528	1.9%	222,478	2.0%	204,148	2.0%
Huron	$221,023	1.7%	184,429	1.6%	179,603	1.6%	186,249	1.6%	173,155	1.6%	165,896	1.6%
Spearfish	$214,631	1.7%	190,451	1.6%	173,456	1.5%	168,985	1.5%	169,083	1.6%	151,329	1.5%
Subtotal	**$7,930,513**	**62.4%**	**$ 7,371,019**	**62.4%**	**$ 6,773,643**	**58.9%**	**$ 6,805,709**	**59.9%**	**$ 6,552,926**	**60.3%**	**$ 6,048,650**	**59.7%**
State Total	**$12,700,067**		**$11,819,540**		**$11,491,333**		**$11,369,578**		**$10,868,890**		**$10,136,462**	

SOURCE: South Dakota Sales and Use Tax Reporting System Returns Filed: Fiscal Year 2004, SD Dep. Of Revenue and Regulation

TAXES PER CAPITA AND PER $1,000 PERSONAL INCOME UNITED STATES, SOUTH DAKOTA AND SURROUNDING STATES

	2003		2002		2001		2000		1999	
	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank
PER CAPITA (CURRENT DOLLARS)										
U.S.	$1,884	-	$1,862	-	$1,966	-	$1,922	-	$1,837	-
South Dakota	1,322	49	1,285	50	1,289	50	1,228	50	1,188	49
Iowa	1,719	31	1,705	31	1,759	33	1,772	31	1,697	28
Minnesota	2,649	3	2,632	3	2,715	3	2,711	4	2,613	4
Montana	1,620	38	1,585	39	1,652	39	1,564	42	1,524	43
Nebraska	1,925	19	1,732	30	1,766	32	1,742	32	1,598	38
North Dakota	1,858	24	1,762	27	1,829	27	1,826	26	1,745	24
Wyoming	2,429	6	2,193	9	2,277	9	1,952	17	1,691	29
PER $1,000 PERSONAL INCOME										
U.S.	$ 60	-	$ 60	-	$ 64	-	$ 64	-	$ 64	-
South Dakota	47	47	48	47	48	48	48	48	47	49
Iowa	61	29	61	26	65	28	67	25	66	24
Minnesota	78	5	79	6	83	4	84	6	85	6
Montana	63	25	64	22	67	24	68	22	69	21
Nebraska	63	22	60	29	62	31	63	30	59	38
North Dakota	65	19	67	19	71	18	73	17	74	15
Wyoming	75	9	71	13	75	13	69	21	62	32

SOURCE: U.S. Bureau of the Census, U.S. Bureau of Economic Analysis, and South Dakota State Data Center.

NOTE: Total tax collections used in calculation of taxes per capita are for fiscal year ending in year shown.

POPULATION (THOUSANDS)

YEAR	UNITED STATES	PERCENT CHANGE	WEST N. CENTRAL*	PERCENT CHANGE	SOUTH DAKOTA	PERCENT CHANGE
2004	293,655	1.0%	19,698	0.6%	771	0.9%
2003	290,789	1.0%	19,586	0.6%	764	0.5%
2002	287,941	1.0%	19,473	0.5%	760	0.3%
2001	285,102	1.3%	19,374	0.7%	758	0.4%
2000	281,422	0.9%	19,238	0.6%	755	0.00
1999	279,040	1.2%	19,131	0.8%	755	1.2%
1998	275,854	1.2%	18,988	0.7%	746	0.3%
1997	272,647	1.2%	18,850	0.8%	744	0.3%
1996	269,394	1.2%	18,706	0.8%	742	0.5%
1995	266,278	1.2%	18,560	1.0%	738	1.0%

SOURCE: U.S. Bureau of the Census, Population Division. Compiled by South Dakota State Data Center, USD Business Research Bureau.

NOTE: Midyear (July 1) population estimates of the U.S. Bureau of the Census. Estimates for 2001, 2002, 2003 and 2004 were released December 2004.

* The West North Central states include Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota.

TOTAL PERSONAL INCOME (MILLIONS)

YEAR	UNITED STATES	PERCENT CHANGE	PLAINS*	PERCENT CHANGE	SOUTH DAKOTA	PERCENT CHANGE
2003	$9,148,680	3.2%	$594,716	3.5%	$21,629	6.7%
2002	8,868,261	1.7%	574,808	2.1%	20,261	-0.5%
2001	8,718,165	3.5%	563,202	3.2%	20,355	4.7%
2000	8,422,074	8.0%	545,882	6.7%	19,438	5.8%
1999	7,796,137	5.1%	511,507	3.9%	18,367	4.8%
1998	7,415,709	7.4%	492,324	6.9%	17,523	7.3%
1997	6,907,332	6.1%	460,385	5.3%	16,335	2.4%
1996	6,512,485	6.0%	437,288	7.5%	15,948	10.8%
1995	6,144,741	5.3%	406,860	4.5%	14,390	1.5%
1994	5,833,906	5.2%	389,452	6.8%	14,172	7.3%

SOURCE: U.S. Department of Commerce, September 2004. Compiled by the South Dakota State Data Center, USD Business Research Bureau.

All data is revised to reflect the revision in NIPA's, changes in methodology, and newly available state and local data.

* The Plains states include Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota.

UNEMPLOYMENT RATE

YEAR	SOUTH DAKOTA	UNITED STATES
* 2004	3.3%	5.5%
2003	3.6%	6.0%
2002	3.1%	5.8%
2001	3.4%	4.7%
2000	2.3%	4.0%
1999	2.9%	4.2%
1998	2.9%	4.5%
1997	3.1%	4.9%
1996	3.2%	5.4%
1995	2.9%	5.6%

* Preliminary Data.

SOURCE: U.S. Bureau of Labor Statistics and Labor Market Information Center. Compiled by the South Dakota State Data Center, USD Business Research Bureau.

NONFARM WAGE AND SALARY EMPLOYMENT BY INDUSTRY (Expressed in Thousands)

	2004*	2003r	2002r	2001	2000	1999	1998	1997	1996	1995
Natural Resources/Mining	0.9	0.9	1.0	1.2	1.3	1.3	1.7	2.1	2.2	2.3
Construction	19.4	19.4	18.6	18.5	18.0	17.1	16.1	15.2	14.6	13.9
Manufacturing	38.2	37.7	38.4	41.0	43.8	44.2	44.0	44.2	43.6	43.5
Transportation/Warehousing/ Utilities	11.5	11.6	11.8	12.1	12.0	11.9	11.8	11.8	11.9	11.7
Wholesale/Retail Trade	66.1	65.1	64.8	65.0	64.8	64.0	63.1	62.3	61.8	61.8
Wholesale Trade	17.3	16.7	16.7	16.7	16.5	16.5	16.4	16.1	15.9	15.9
Retail Trade	48.8	48.4	48.1	48.3	48.3	47.5	46.7	46.2	45.9	45.9
Information	6.7	6.8	6.8	6.8	6.9	6.7	6.7	6.4	6.2	6.1
Financial Activities	27.8	27.5	27.9	28.0	26.2	25.1	23.2	21.7	20.3	19.0
Professional/Business Srvs.	23.8	23.9	24.7	25.7	27.1	25.2	22.9	21.6	19.7	18.0
Educational/Health Services	55.6	55.4	54.2	52.8	52.2	51.4	49.8	48.1	47.1	45.5
Leisure and Hospitality	40.2	39.8	39.4	38.6	38.5	37.7	37.0	36.3	36.0	35.1
Other Services (Except Public Administration)	16.1	15.8	15.9	15.8	16.5	16.9	15.9	14.7	15.0	15.6
Government	74.9	74.4	74.0	73.1	70.3	71.9	71.0	70.5	70.4	71.0
TOTAL	381.4	378.2	377.3	378.4	377.7	373.3	363.2	354.9	348.7	343.5
% Change in Nonfarm Employment	0.8%	0.2%	-0.3%	0.2%	1.2%	2.8%	2.3%	1.8%	1.5%	3.5%

* Preliminary Data.

r Revised

SOURCE: Labor Market Information Center in cooperation with the U.S. Bureau of Labor Statistics. Compiled by the South Dakota State Data Center, USD Business Research Bureau.

NOTE: Numbers may not add due to rounding. Data not seasonally adjusted. 2003 numbers are preliminary. Effective January 2001, an economic code change moved tribal workers from nongovernment to government. Data after January 2001 is not comparable to prior data.

EXPANDED AND NEW INDUSTRIES
(Dollars Expressed in Millions)

	EXPANSIONS		NEW		TOTAL	
	NUMBER	NEW CAPITAL INVESTMENT	NUMBER	NEW CAPITAL INVESTMENT	NUMBER	NEW CAPITAL INVESTMENT
2004	476	$169.5	20	$72.3	496	$241.8
2003	496	191.5	21	206.0	517	397.5
2002	466	156.5	6	9.4	472	165.9
2001	544	141.6	13	96.5	557	238.1
2000	438	249.1	16	10.6	454	259.7
1999	478	261.9	14	23.4	492	285.3
1998	555	208.6	19	21.9	574	230.5
1997	466	236.1	22	7.5	488	243.6
1996	322	210.7	28	24.1	350	234.8
1995	403	236.3	33	92.8	436	329.1

SOURCE: Survey, Governor's Office of Economic Development.

NOTE: Only manufacturing and processing companies are included in the above totals. Manufacturing data for 2002 based on NAICS. Since manufacturing data for earlier years is based on SIC, it is not comparable to 2002 data; i.e., publishers and small newspapers are not included in 2002, but are for earlier years.

GROSS SALES BY INDUSTRY
(Sales Expressed in Millions of Dollars)

	2004		2003		2002		2001		2000	
	Sales	% of Total Sales	Sales	% of Total Sales	Sales	% of Total Sales	Sales	% of Total Sales	Sales	% of Total Sales
Agriculture, Forestry and Fishing	$ 277.4	0.7%	$ 225.4	0.6%	$ 196.5	0.6%	$ 187.0	0.5%	$ 156.8	0.4%
Mining	138.8	0.4%	86.7	0.2%	69.7	0.2%	102.0	0.3%	114.2	0.3%
Construction	27.2	0.1%	28.3	0.1%	46.2	0.1%	42.8	0.1%	42.4	0.1%
Manufacturing	4,848.2	12.2%	5,288.5	14.6%	4,143.2	12.2%	4,318.9	12.2%	3,666.2	10.0%
Transportation, Communication, and Utilities	3,029.3	7.6%	2,437.2	6.7%	2,203.3	6.5%	2,763.0	7.8%	2,537.7	6.9%
Wholesale Trade	9,574.0	24.1%	9,054.7	24.9%	8,837.4	25.9%	9,756.1	27.6%	9,449.7	25.8%
Retail Trade	16,004.7	40.3%	14,323.0	39.4%	14,032.1	41.2%	13,873.5	39.2%	15,720.0	42.9%
Finance, Insurance, and Real Estate	358.5	0.9%	320.8	0.9%	271.0	0.8%	198.3	0.6%	176.4	0.5%
Services	5,453.5	13.7%	4,588.8	12.6%	4,274.8	12.5%	4,151.8	11.7%	4,781.5	13.1%
Not coded/Other, Including Public Administration	3.9	0.0%	3.4	0.0%	3.8	0.0%	2.7	0.0%	2.6	0.0%
STATE TOTAL	$39,715.5	100.0%	$36,356.9	100.0%	$34,078.1	100.0%	$35,396.1	100.0%	$36,647.5	100.0%
% Change From Prior Year	9.2%		6.7%		-3.7%		-3.4%		11.5%	

SOURCE: South Dakota Sales and Use Tax Reporting System.

NOTE: Totals may not add due to rounding.

GROSS STATE PRODUCT
PERCENT CHANGE

	2001-2002	2000-2001	1999-2000	1998-1999	1997-1998	1996-1997	1995-1996	1994-1995	1993-1994	1992-1993
U.S.	2.1%	0.6%	3.7%	4.4%	N/A	5.1%	4.1%	3.3%	4.1%	1.8%
South Dakota	3.3%	-1.0%	3.1%	1.7%	N/A	6.0%	5.3%	2.6%	7.9%	0.0%
Iowa	3.7%	0.3%	4.8%	2.8%	N/A	6.3%	6.3%	2.8%	5.8%	0.0%
Minnesota	3.8%	0.8%	2.1%	1.6%	N/A	3.0%	1.7%	0.3%	2.8%	4.1%
Montana	2.7%	1.1%	2.0%	1.8%	N/A	2.6%	5.7%	1.8%	7.1%	0.4%
Nebraska	5.3%	0.0%	2.7%	-2.5%	N/A	-0.1%	7.3%	1.5%	6.8%	-1.6%
North Dakota	2.5%	0.9%	5.3%	4.6%	N/A	2.3%	4.3%	2.6%	4.0%	5.1%
Wyoming	5.5%	4.1%	1.8%	6.1%	N/A	0.6%	2.9%	2.6%	1.5%	2.7%

NOTES: The GSP estimates are consistent with the estimate of gross product by industry for the nation (Millions of Real GSP chained 2000 dollars) *Data from 1992 – 1997 are based on SIC; 1998 – 2002 data are based on NAICS. We are unable to compare 1997 to 1998.

SOURCE: U.S. Bureau of Economic Analysis data released December 2004 (earlier data has been revised) Compiled by South Dakota State Data Center, USD Business Research Bureau

GROSS STATE PRODUCT
1998 - 2002
(Average Annual Percent Change)

	TOTAL	GOODS PRODUCING INDUSTRIES[1]	PRIVATE SERVICE-TYPE INDUSTRIES[2]	GOVERNMENT
U.S.	2.7%	1.2%	3.4%	1.3%
South Dakota	3.3%	2.0%	4.6%	-0.4%
Iowa	1.8%	0.6%	2.7%	0.3%
Minnesota	2.9%	1.0%	3.7%	1.9%
Montana	2.1%	-0.8%	3.2%	0.9%
Nebraska	1.9%	1.7%	2.6%	-0.6%
North Dakota	1.3%	0.2%	2.4%	-0.3%
Wyoming	4.4%	6.5%	3.6%	2.2%

[1]Goods producing industries consist of agriculture, forestry, fishing, and hunting, mining, construction and manufacturing.

[2]Private service-type industries consist of utilities, wholesale trade, retail trade, transportation and warehousing, excluding postal service, information, finance and insurance, real estate, rental, and leasing, professional and technical services, management of companies and enterprises, administrative and waste services, educational services, health care and social assistance, arts, entertainment, and recreation, accommodation and food services, and other services, except government.

NOTES: The GSP estimates are consistent with the estimates of gross product by industry for the nation (Millions of Real GSP chained 2000 dollars). Data based on NAICS.

SOURCE: U.S. Bureau of Economic Analysis data released December 2004 (earlier data has been revised) Compiled by South Dakota State Data Center, USD Business Research Bureau

BANKING

YEAR	BANK DEPOSITS (MILLIONS)	PER CAPITA BANK DEPOSITS
2003	$14,660	$19,165
2002	14,293	18,795
2001	14,536	19,172
2000	13,485	17,865
1999	12,043	16,049
1998	11,660	15,629
1997	11,787	15,838
1996	13,207	17,794
1995	11,866	16,080
1994	11,378	15,569

SOURCE: U.S. FDIC, *Annual Report: Statistics on Banking*; and, U.S. Bureau of the Census. Compiled by South Dakota State Data Center, USD Business Research Bureau.

NOTES: Bank deposits are for all commercial banks, insured or otherwise. Per capita bank deposits are calculated by dividing the bank deposits by population from the 1990 and 2000 Census; 1991-1999 per capita bank deposits calculated using population estimates released April 2002; 2001, 2002, and 2003 per capita bank deposits calculated using population estimates released Dec. 2004.

FARM STATISTICS

CALENDAR YEAR	NUMBER OF FARMS	VALUE PER OPERATING UNIT	AVERAGE LAND VALUE PER ACRE	FARM NET INCOME (THOUSANDS)	AVERAGE INCOME PER FARM
2003	31,600	$637,560	$460	$1,320,900	$41,801
2002	31,800r	592,110r	430r	320,461r	10,077r
2001	32,000r	565,660r	405	1,170,005r	36,563r
2000	32,400r	516,040r	380	1,357,911r	41,911r
1999	32,500	487,440	360	1,304,538r	40,140r
1998	32,500	471,192	348	1,279,075r	39,356r
1997	32,500	440,050	325	1,144,188r	35,206r
1996	32,500	419,740	310	1,638,474r	50,415r
*1995	33,000	402,566	302	769,589r	23,321r
1994	34,000	371,800	286	1,283,515r	37,750r

r Revised

* 1995 Wet weather prevented wheat and corn from being planted (areas lost from flooding).

SOURCE: SD Agricultural Statistics Service and Economic Research Service release of September 1, 2004. Compiled by the South Dakota State Data Center, USD Business Research Bureau.

NOTES: Net farm income is defined as total cash receipts and other income, less total production expenses, plus the value of inventory change. Cash receipts come from marketing of livestock, products, and crops. Other income includes government payments, imputed income, and rent received.

GROSS CASH RECEIPTS FROM FARM MARKETING AND GOVERNMENT PAYMENTS (MILLIONS)

	2003	2002	2001	2000	1999	1998	1997	1996
CROPS	$1,899	$1,730	$1,640	$1,714	$1,727	$1,848	$2,427	$1,878
LIVESTOCK AND PRODUCTS	2,119	2,046r	2,226r	2,016r	1,818r	1,533r	1,781	1,652
GOVERNMENT PAYMENTS	549	281	715	790	791	437	268	230
TOTAL	$4,567	$4,057	$4,581r	$4,520	$4,337	$3,818	$4,476	$3,760

r Revised

SOURCE: Economic Research Service, USDA release of September 1, 2004. Compiled by the South Dakota State Data Center, USD Business Research Bureau.

2003 RANKING FOR CROP AND LIVESTOCK PRODUCTION

CROP	VOLUME	NATIONAL RANK
Corn for Grain	427.4 M Bu.	7th
Oats	15.6 M Bu.	3rd
All Wheat	116.2 M Bu.	6th
Winter Wheat	59.3 M Bu.	9th
Durum Wheat	0.6 M Bu.	5th
Other Spring Wheat	56.3 M Bu.	4th
Barley	2.9 M Bu.	12th
Rye	0.7 M Bu.	4th
Flax Seed	0.1 M Bu.	4th
Sorghum for Grain	6.8 M Bu.	9th
Soybeans	113.1 M Bu.	8th
Sunflower Seed	457.5 M Lb.	2nd
All Hay	7.2 M Tons	5th
Alfalfa Hay	5.1 M Tons	3rd
All Other Hay	2.1 M Tons	11th

LIVESTOCK	AMOUNT	NATIONAL RANK
Cattle and Calves (1/1/04)	3,650 T Head	7th
Hogs and Pigs (12/1/03)	1,260 T Head	11th
Sheep and Lambs (1/1/04)	370 T Head	4th

SOURCE: SD Agricultural Statistics Service. Compiled by the South Dakota State Data Center, USD Business Research Bureau.

2003 GENERAL CENSUS INFORMATION

AGE GROUPS		% OF TOTAL
0- 4	51,591	6.8%
5-14	107,891	14.1%
15-17	35,944	4.7%
18-24	85,043	11.1%
25-34	90,400	11.8%
35-44	106,878	14.0%
45-64	177,522	23.2%
65- >	109,040	14.3%
18- >	568,883	74.4%

RACIAL DISTRIBUTION		% OF TOTAL
WHITE	678,588	88.8%
AMERICAN INDIAN	64,240	8.4%
OTHER	21,481	2.8%
TOTAL	**764,309**	**100.0%**

NOTE: White and American Indian figures include only those persons who chose one race; "Other" includes other races and race combinations.

POPULATION DISTRIBUTION		% OF TOTAL
CITIES (25,000 +)	194,710	25.5%
CITIES (2,500 - 25,000)	187,235	24.5%
REMAINING CITIES (<2,500)	128,609	16.8%
REMAINING AREAS	253,755	33.2%
TOTAL	**764,309**	**100.0%**

NOTE: Above data compiled by the South Dakota State Data Center, USD Business Research Bureau from U.S. Census Bureau reports.

LARGEST CITIES			
SIOUX FALLS	133,834	VERMILLION	10,070
RAPID CITY	60,876	SPEARFISH	8,870
ABERDEEN	24,086	BRANDON	6,522
WATERTOWN	20,191	STURGIS	6,389
BROOKINGS	18,464	MADISON	6,303
MITCHELL	14,677	BELLE FOURCHE	4,577
PIERRE	13,939	HOT SPRINGS	4,038
YANKTON	13,440	MILBANK	3,495
HURON	11,377	MOBRIDGE	3,309

SOURCES: U.S. Bureau of the Census. Compiled by the South Dakota State Data Center, USD Business Research Bureau.

HISTORICAL CENSUS COUNTS FOR SOUTH DAKOTA

YEAR	POPULATION
2000	754,844
1990	696,004
1980	690,768
1970	666,257
1960	680,514
1950	652,740
1940	642,961
1930	692,849
1920	636,547
1910	583,888

SOURCE: U.S. Bureau of the Census. Compiled by the South Dakota State Data Center, USD Business Research Bureau.

MAJOR EMPLOYERS IN SOUTH DAKOTA

BUSINESS	EMPLOYEES
Sioux Valley Hospital (Sioux Falls)	5,400
Wal-Mart (South Dakota)	4,115
Avera Mc Kennan Hospital (Sioux Falls)	3,450
John Morrell and Company (Sioux Falls)	3,300
Citibank South Dakota NA (Sioux Falls)	3,200
Wells Fargo (Sioux Falls)	2,300
Rapid City Regional Hospital (Rapid City)	2,300
Hy Vee (Sioux Falls)	1,700
Midwest Coast Transport (Sioux Falls)	1,300
Evangelical Lutheran Good Samaritan Society	1,200

SOURCES: Governor's Office of Economic Development, December 2004; Development Corporations and individual companies. Compiled by South Dakota State Data Center, USD Business Research Bureau.

NOTE: Excludes federal, state, and local governments.

PUBLIC SCHOOL STATISTICS

SCHOOL YEAR ENDED	SCHOOLS	K-12 FALL ENROLLMENT	* TEACHERS*	PUPIL/ TEACHER RATIO
2004	721	123,058	8,999	13.7
2003	732	124,988	9,015	13.9
2002	744	125,612	9,090	13.8
2001	753	126,990	9,149	13.9
2000	749	129,093	9,230	14.0
1999	757	131,117	9,048	14.5
1998	767	132,780	8,827	14.9
1997	766	133,949	** 9,255	14.5
1996	774	134,972	8,984	15.0
1995	774	134,290	9,010	14.9

SOURCE: Education in South Dakota: District and Statewide Profiles 2003-2004. Compiled by the South Dakota State Data Center, USD Business Research Bureau.

* Total Classroom FTE (K-12) 1993 through present, except 1997, which is headcount (**).
** Headcount.

EXPENDITURES ON EDUCATION PER PUPIL IN DAILY ATTENDANCE				PERCENT REVENUE FROM STATE GOVERNMENT		
SCHOOL YEAR	UNITED STATES	SOUTH DAKOTA	SOUTH DAKOTA RANK	UNITED STATES	SOUTH DAKOTA	SOUTH DAKOTA RANK
2004e	$8,724	$7,762	34	49.1	36.3	45
2003r	8,428	7,292	38	49.0	35.9	47
2002r	8,083	6,893	39	49.6	36.4	46
2001	7,827	6,586	40	50.4	35.3	48
2000	7,316	5,837	42	50.2	38.5	46
1999	6,734	5,281	46	49.7	35.5	47
1998	6,638	5,166	44	46.6	31.7	46
1997	6,394	4,990	45	46.1	31.2	46
1996	6,139	5,070	40	47.9	26.1	49

SOURCES: South Dakota Department of Education and Cultural Affairs and National Education Association.
Ranking and Estimates: nea.org
Compiled by the South Dakota State Data Center, USD Business Research Bureau.

r Revised

e Estimate

ELEMENTARY AND SECONDARY EDUCATION

YEAR	K-12 SCHOOL ADM (FISCAL YEAR)	COST PER PUPIL (ADM)
2004	122,362	$6,415
2003	123,740	6,193
2002	124,589	5,943
2001	126,314	5,705
2000	128,114	5,277
1999	130,157	4,922
1998	132,024	4,621
1997	133,251	4,358
1996	134,052	4,240
1995	133,795	4,220
ADM = Average Daily Membership		

SOURCE: *Education in South Dakota: A Statistical Profile*, DECA 2003-2004. Compiled by the South Dakota State Data Center, USD Business Research Bureau.

NOTE: Includes only general, special education and pension funds

2003 CIVILIAN LABOR FORCE

	LABOR FORCE	EMPLOYED	UNEMPLOYED	UNEMPLOYMENT RATE	SD NON-INSTITU. POP.	PARTICIPATION RATE
Males	222,000	213,000	9,000	3.9%	281,000	79.0%
Females	203,000	197,000	7,000	3.2%	295,000	68.8%
TOTAL	**425,000**	**410,000**	**15,000**	**3.6%**	**576,000**	**73.8%**

SOURCES: U.S. Bureau of Labor Statistics, Labor Market Information Center, South Dakota Department of Labor. Compiled by the South Dakota State Data Center, USD Business Research Bureau.

NOTE: Items may not add to totals due to rounding.

STATE UNIVERSITIES HISTORICAL FALL HEADCOUNT ENROLLMENTS

YEAR	BHSU	DSU	NSU *	SDSMT	SDSU	USD	SYSTEM TOTALS	CHANGE FALL TO FALL
2004	3,846	2,295	2,284	2,345	10,954	8,120	29,844	0.4%
2003	3,873	2,295	2,616	2,454	10,561	7,917	29,716	0.6%
2002	3,694	2,263	2,474	2,447	9,952	8,703	29,533	3.8%
2001	3,836	2,019	2,656	2,424	9,350	8,161	28,446	4.8%
2000	4,068	1,801	2,889	2,308	8,719	7,349	27,134	2.0%
1999	3,747	2,003	3,164	2,275	8,540	6,887	26,616	0.2%
1998	3,639	1,831	2,873	2,265	8,635	7,317	26,560	3.3%
1997	3,445	1,409	2,623	2,260	8,818	7,164	25,719	-3.0%
1996	3,549	1,274	2,832	2,245	9,067	7,541	26,508	-3.4%
1995	3,623	1,360	2,724	2,372	9,323	8,027	27,429	

SOURCE: South Dakota Board of Regents.

NOTE: * The NSU and system numbers have been revised to remove high school students enrolled in certain AP (Advanced Placement) courses taught with the assistance of NSU.

Above figures have been revised to reflect the new funding framework whereby revenue are distributed to the universities as base funding accompanied by targeted investments and incentives for demonstrated improvement. As a result of this change, separating students enrolled in state-supported courses from those enrolled in self-support courses is no longer necessary.

POSTSECONDARY VOCATIONAL TECHNICAL INSTITUTES (Full and Part-Time)

INSTITUTE	FALL ENROLLMENT		
	2002	2003	2004
Lake Area Vocational Technical Institute	952	991	1,033
Mitchell Vocational Technical Institute	865	868	814
Southeast Vocational Technical Institute	2,205	2,300	2,373
Western Dakota Vocational Technical Institute	1,022	1,054	1,022
Mike Durfee State Prison*	58	58	129

SOURCE: Office of Career and Technical Education, Department of Education and Cultural Affairs, and Mike Durfee State Prison. Compiled by the South Dakota State Data Center, USD Business Research Bureau.

* January – December data includes individuals enrolled in a program during the calendar year

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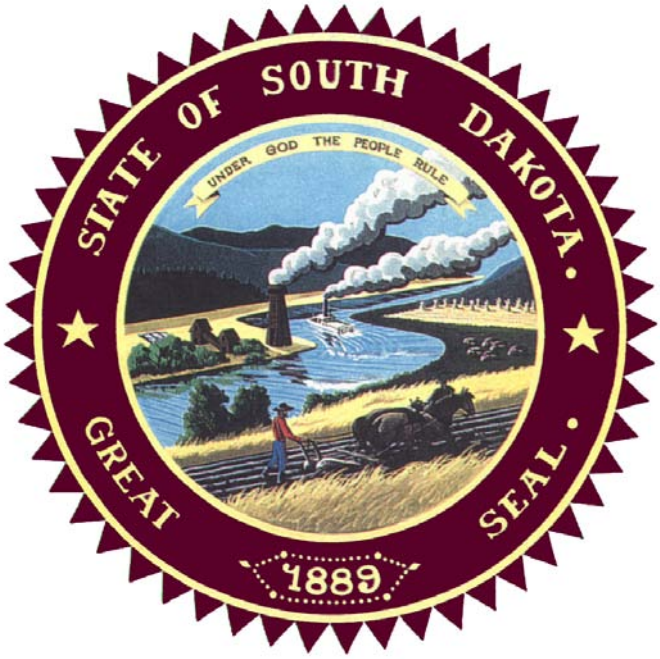
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